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4 ``WHERE THE JOBS ARE: CAN AMERICAN MANUFACTURING THRIVE

5 AGAIN?''

6 THURSDAY, APRIL 19, 2012

7 House of Representatives,

8 Subcommittee on Commerce, Manufacturing, and Trade

9 Committee on Energy and Commerce

10 Washington, D.C.

11 The Subcommittee met, pursuant to call, at 11:06 a.m.,
12 in Room 2123 of the Rayburn House Office Building, Hon. Mary
13 Bono Mack [Chairman of the Subcommittee] presiding.

14 Members present: Representatives Bono Mack, Blackburn,
15 Stearns, Harper, Lance, Cassidy, Guthrie, McKinley, Pompeo,
16 Kinzinger, Upton (ex officio), Butterfield, Dingell, Rush,
17 and Sarbanes.

18 Staff present: Paige Anderson, Commerce, Manufacturing,

19 and Trade Coordinator; Charlotte Baker, Press Secretary;
20 Kirby Howard, Legislative Clerk; Brian McCullough, Senior
21 Professional Staff Member, Commerce, Manufacturing, and
22 Trade; Gib Mullan, Chief Counsel, Commerce, Manufacturing,
23 and Trade; Shannon Weinberg, Counsel, Commerce,
24 Manufacturing, and Trade; Tom Wilbur, Staff Assistant;
25 Michelle Ash, Democratic Chief Counsel; and William Wallace,
26 Democratic Policy Analyst.

|
27 Mrs. {Bono Mack.} Please now come to order. Good
28 morning.

29 When it comes to the future of manufacturing in the
30 United States, let us be a Nation where help-wanted signs
31 hang on factory gates over closed-for-business signs. Today,
32 our subcommittee will tackle a critically important subject,
33 can American manufacturing thrive again? The future of our
34 economy could well be at stake. And the chair now recognizes
35 herself for an opening statement.

36 Throughout our Nation's long history, a growing and
37 robust manufacturing sector has helped to make America great.
38 It has been a driving force in our economy since the
39 Industrial Revolution as generations of hard-working
40 Americans, armed with machines, tools, and a determined work
41 ethic, cranked out everything from airplanes to toasters.

42 But as our Nation has moved from the Atomic Age to the
43 Space Age to the Information Age, manufacturing has not kept
44 up, losing nearly six million American jobs since the
45 beginning of the 21st century. Aging, rusting, and abandoned
46 factories litter the U.S. landscape.

47 Today, we stand at an important crossroads. One
48 direction--lined by job-killing regulatory hurdles, a
49 punitive tax code, and indecisive political leadership--will

50 lead ultimately to a further erosion of our manufacturing
51 base and lost prosperity for future generations of Americans.

52 The other direction--where smart policies and smart
53 minds eventually intersect--could lead, instead, to a
54 resurgence in U.S. manufacturing, putting millions of
55 Americans back to work again and breathing new life into the
56 beleaguered middle class.

57 Secretary Bryson, as chairman of this subcommittee, I
58 look forward to working closely with you on this very
59 important issue. Let us make ``Made in America'' matter
60 again. Let us throw the ``start switch'' right now. And let
61 us get the widgets moving. Clearly, we don't have any time
62 to waste.

63 Statistics show the manufacturing sector was the hardest
64 hit in terms of job losses during the Great Recession. While
65 manufacturing accounts for just a 10th of our Nation's jobs,
66 manufacturing suffered a third of our Nation's job losses.

67 What is more, in 2009--for the first time ever--the
68 number of unemployed Americans actually exceeded the numbers
69 of Americans employed in the manufacturing sector, a fact
70 that remains true today, despite a slight uptick in recent
71 hiring. So what happened? The U.S. was the undisputed
72 leader in manufacturing for decades with the world's largest
73 manufacturing economy producing nearly a quarter of all

74 globally manufactured products. But that leadership is now
75 in serious jeopardy, so it is vitally important to consider
76 what is at stake for our Nation.

77 According to a report by the National Association of
78 Manufacturers, American manufacturing supports nearly one in
79 six U.S. jobs, which pay on average over \$75,000 with
80 benefits. Additionally, manufacturing jobs have the highest
81 multiplier in the U.S. economy--every dollar in direct
82 spending produces \$1.35 in additional indirect output.
83 Conversely, every manufacturing job eliminated in America
84 results in the loss of two other jobs elsewhere in the
85 economy.

86 So as policymakers, we are facing several critically
87 important questions. First, what is the true state of the
88 manufacturing sector today? Second, what factors are
89 impeding a comeback? And finally, and most importantly, what
90 policies could aid the manufacturing sector's recovery?

91 Here is the good news. Historically, manufacturing is
92 the hardest hit during a recession, but the quickest to
93 recover due to pent-up demand for goods. Recent numbers from
94 the Bureau of Labor Statistics provide a glimmer of hope that
95 the U.S. manufacturing sector may indeed be rebounding. Last
96 year, for the second consecutive year, American manufacturers
97 actually added jobs. Prior to that, the manufacturing sector

98 had suffered job losses every year since 1997.

99 What is more, according to a recent report by the Boston
100 Consulting Group, rising wages in China, the rising cost of
101 energy and real estate in China, and the rising cost of
102 transporting goods back to America for consumption are
103 beginning to make the United States a much more attractive
104 option once again for many manufacturers.

105 But still other observers see a real cause for concern
106 buried within the recovery numbers. Overall, the U.S. lost
107 5.7 million manufacturing jobs since 2000, a rate of decline
108 that exceeded even the Great Depression, according to a study
109 by the Information Technology and Innovation Foundation.

110 Compounding this problem is a very sobering fact: the
111 U.S. lost a staggering 66,000 manufacturing firms--an average
112 of 17 per day--over this same period. At the current rate of
113 recovery, ITIF estimates the manufacturing sector would not
114 return to 2007 job levels until at least 2020.

115 There are other factors contributing to this slow rate
116 of recovery as well. In its 2009 report, ``Facts About
117 Modern Manufacturing,' ' the National Association of
118 Manufacturers identifies external policy-related costs such
119 as a persistently high corporate tax rate, the high cost of
120 healthcare, the rising cost of energy, regulatory costs, and
121 tort costs as serious barriers to manufacturing. Simply put,

122 there is a prevailing sense among many people that the U.S.
123 is falling even further behind in fostering an environment
124 conducive to job creation.

125 So when it comes to U.S. manufacturing, is the glass
126 half full, half empty, or will it remain shattered on the
127 kitchen floor for millions of out-of-work Americans?

128 Mr. Secretary, let us work together to sweep up the
129 glass and then set the table for a manufacturing comeback. I
130 continue to believe in the greatness of America, and ``Made
131 in America'' should continue to be a shared pride for all of
132 us.

133 And with that, I now recognize the ranking member of our
134 subcommittee and want to in advance wish him a happy 65th
135 birthday, which we will be celebrating next week. So Mr.
136 Butterfield, you are recognized for 5 minutes for opening
137 statement.

138 [The prepared statement of Mrs. Bono Mack follows:]

139 ***** COMMITTEE INSERT *****

|
140 Mr. {Butterfield.} Let me thank you, Chairman Bono
141 Mack. And I especially thank you for those kind words in
142 wishing me a good birthday next week. I have been looking
143 forward to it for a long time and it has finally come.

144 But let me also thank the witnesses for their
145 anticipated testimonies today. We know the schedule is kind
146 of disjointed this morning, but thank you so much for your
147 patience.

148 Madam Chairman, there is no more important issue to
149 working Americans than the ability to get and keep a job,
150 provide for their families and ensure that when their
151 children grow up, they, too, can succeed. The causes of the
152 most recent recession are many. They are indeed complex.
153 While the solutions can also be complex, one thing is
154 certain: the creation of jobs benefits the entire economy,
155 and in recent monthly employment reports, we have begun to
156 see the fruits of that labor.

157 Over the past 2 years, the manufacturing sector has
158 added more than 450,000 jobs. Not since the Clinton
159 Administration has this sector seen such fast growth. And in
160 a 1-year period from January of 2010 to January of 2011,
161 immediately after the worst of the recession, the
162 manufacturing sector added 47,000 machinery manufacturing

163 jobs, 74,000 jobs in fabricated metal manufacturing, and
164 24,000 in computer and electronic manufacturing jobs.

165 My State of North Carolina is the fifth-largest
166 manufacturing State in the country and the largest in the
167 Southeast. The manufacturing sector provides about \$80
168 billion to our GDP, or roughly 19.5 percent of the total.
169 The nearly 11,000 manufacturing companies in North Carolina
170 employ almost 15 percent of the total workforce, equating to
171 well over 500,000 jobs that pay \$65,000 annually on average.
172 Many of these jobs are in advanced manufacturing and produce
173 high-tech goods used in the defense industry.

174 For example, Telephonics is a defense and Homeland
175 Security contractor located in Elizabeth City. Telephonics
176 designs and manufactures sensors and communications equipment
177 and tests and integrates these systems into U.S. military and
178 Department of Homeland Security aircraft. DSM, also located
179 in my congressional district in Greenville, North Carolina,
180 produces all of the revolutionary Dyneema, fiber that is the
181 key component in the new enhanced combat helmet, which will
182 better protect our service members in the Marine Corps and
183 Army without increasing the weight of their helmets. AAR,
184 another corporation located in Goldsboro, North Carolina,
185 designs and manufactures a wide range of machines and
186 composite structures for aerospace and defense applications.

187 There is also the North Carolina Biotechnology Center.
188 This center was created out of necessity as traditional
189 industries like textile and furniture manufacturing began to
190 disappear. The Center is the most experienced organization
191 of its kind in the world and works to promote the cultivation
192 and development of biotechnology applications throughout
193 North Carolina, whether they are taking place for medical,
194 agriculture, or energy purposes. And they join us today and
195 I am excited to hear from them. I hope I can be here when we
196 have the testimony of the witness. I am going to have to
197 leave shortly but hopefully I can be around for his
198 testimony.

199 It is clear that American manufacturing is prime for a
200 renaissance, and House Democrats are making an America agenda
201 that provides even greater opportunities for success through
202 key policy initiatives. Several ``Make it in America''
203 initiatives have already become law, including bills that cut
204 taxes and created loans for small businesses, sped up the
205 patent process, lowered cost of raw materials, and helped to
206 end tax loopholes so that companies are discouraged from
207 shipping jobs overseas.

208 In the 111th Congress, the House also passed ``Make it
209 in America'' legislation to support American clean energy
210 firms, invest in job training partnerships, and hold China

211 accountable for the unfair currency manipulation that cost
212 American jobs. When more products are made in America, more
213 families, too, can make it in America.

214 And so I look forward to the testimony today and thank
215 each of the witnesses for being here and being so gracious
216 with your time. I will submit my entire written statement
217 for the record.

218 Thank you. I yield back.

219 [The prepared statement of Mr. Butterfield follows:]

220 ***** COMMITTEE INSERT *****

|
221 Mrs. {Bono Mack.} Thank you, Mr. Butterfield.

222 And now we have several Members on our side who wish to
223 make an opening statement in a total of 5 minutes, so I urge
224 them to keep their remarks as brief as possible. And I will
225 yield the 5 minutes to Mr. Stearns, who will then yield
226 accordingly.

227 Mr. {Stearns.} Thank you, Madam Chair.

228 This is the third hearing we have had on this
229 subcommittee on jobs and it is, of course, a concern for all
230 of us. And what we are also concerned about is the high tax
231 rate in America. I think just simply lowering the corporate
232 tax code and prioritizing the need for a skilled workforce
233 would help. Other factors like the high cost of healthcare
234 costs are going to impact this country and rising energy
235 prices, so we need to have a full energy program.

236 And furthermore, we know that legitimate U.S. companies
237 are losing jobs as they are forced to compete with offshore
238 companies that steal American technologies. Having the FTC,
239 the Federal Trade Commission, use its narrow Section 5
240 authority to bring targeted cases against these offshore
241 companies will simply demonstrate that access to U.S. markets
242 will not be permitted to companies whose business model is
243 based on theft. These are things we can all work together on

244 to strengthen our economy and I look forward to our hearing.

245 With that, I recognize Dr. Cassidy.

246 [The prepared statement of Mr. Stearns follows:]

247 ***** COMMITTEE INSERT *****

|
248 Dr. {Cassidy.} Thank you.

249 Clearly our problem in our economy right now is
250 unemployment, and we know that that unemployment is
251 disproportionately focused upon blue collar workers. Those
252 workers have traditionally been employed in mining,
253 manufacturing, and construction. Now, I think we are all
254 encouraged that the renaissance in mining in North American
255 energy assets--fossil fuel in particular--have led to a
256 renaissance in manufacturing, as recently discussed in the
257 New York Times, CNN, Money, and elsewhere.

258 Now, this is fantastic and if we take it as a moral
259 imperative to increase blue collar prosperity, then I almost
260 see it as a primary variable we should take it as the moral
261 imperative to develop our domestic energy resources. My
262 concern is that much of what has happened has happened
263 despite federal efforts, which have been actively inhibitory
264 of bringing those domestically or those North American
265 resources to the benefit of our blue collar workers.

266 So, Mr. Secretary, I thank you for being here. I look
267 forward to the discussion and ask you specifically to address
268 really what appears to be a hostility towards fossil fuels,
269 which inevitably raise input cost, which will inevitably put
270 a damper on this renaissance in blue collar employment in

271 manufacturing.

272 I now yield to Mr. Kinzinger.

273 [The prepared statement of Dr. Cassidy follows:]

274 ***** COMMITTEE INSERT *****

|
275 Mr. {Kinzinger.} Well, thank you. And thank you for
276 coming in and joining us. I want to thank the Administration
277 for the enactment of the Colombia Free Trade Agreement, which
278 I think was very important.

279 I am concerned, Mr. Secretary, with the state of our
280 economy and the state of U.S. manufacturing as well. The
281 March Manufacturing Output Index slipped to .2 percent from
282 .8 percent, which is a dangerous sign in my mind that our
283 economy is slowing due to high cost of transportation.

284 It is clear when I am home in Illinois that what
285 manufacturers are asking of the Federal Government, they want
286 a fair and competitive tax code, they want less intrusion
287 from federal agencies, and they want a sound supply of
288 affordable energy. They simply want a level playing field to
289 be able to compete with other countries overseas. I hope
290 that you will be able to discuss some of the work you are
291 doing to make America competitive again.

292 And with that, I guess I will yield back.

293 [The prepared statement of Mr. Kinzinger follows:]

294 ***** COMMITTEE INSERT *****

|

295 [The prepared statement of Mr. Waxman follows:]

296 ***** INSERT 7 *****

|
297 Mrs. {Bono Mack.} I thank the gentleman and now we will
298 turn our attention to the panels. We have two panels of
299 witnesses joining us today. Each of our witnesses has
300 prepared an opening statement that will be placed into the
301 record. Each of you will have 5 minutes to summarize that
302 statement in your remarks.

303 On our first panel we have the Hon. John Bryson,
304 Secretary for the United States Department of Commerce. Good
305 morning, Secretary Bryson. It has always been a pleasure to
306 work with you. As a fellow Californian, we have had a long
307 history together. I welcome you to our subcommittee and I am
308 very thankful that you are here. We look forward to working
309 with you closely on this and many other important issues.
310 You will be recognized, as I said, for 5 minutes. To help
311 you keep track of time, the timer is right in front of you.
312 When it turns yellow, you will have 1 minute to try to sum up
313 if you could. Please remember to turn the microphone on and
314 bring it close to your mouth so the audience at home can hear
315 your remarks. And with us again, welcome, Mr. Secretary.
316 You are recognized for 5 minutes.

|
317 ^STATEMENT OF HON. JOHN BRYSON, SECRETARY, U.S. DEPARTMENT OF
318 COMMERCE

319 } Secretary {Bryson.} Thank you, Chairwoman Bono Mack.
320 We have worked together for many, many years. I appreciate
321 working with you here on this.

322 Mrs. {Bono Mack.} Especially if you are complimenting
323 the chairman, it is a good thing to have the microphone very
324 close to your mouth.

325 Secretary {Bryson.} How is that?

326 Mrs. {Bono Mack.} Much better. Thank you.

327 Secretary {Bryson.} All right. So I said thank you to
328 the chairwoman and now to the Ranking Member Butterfield and
329 to all of you, the members of this subcommittee. We thank
330 you for your support for the incredibly diverse array of
331 manufacturers in your districts and throughout the United
332 States. Today, I am pleased to provide an overview of the
333 Administration's efforts to support manufacturing.

334 After a decade in which we lost six million
335 manufacturing jobs, as you know and some of you touched on
336 this, we are now seeing positive momentum in U.S.
337 manufacturing. Over the past 25 months, our manufacturers
338 have created nearly half a million jobs. So that is the best

339 streak in the United States since 1995. And 120,000 of those
340 came just in the last 3 months.

341 I travel widely visiting manufacturers. Last week, I
342 saw this firsthand in Tennessee. For example, I saw there a
343 new, just-constructed one million square foot Whirlpool
344 facility. It is now the largest cooking product facility of
345 its kind in the world, extraordinary. And these examples are
346 important because manufacturing jobs tend to be high-paying
347 jobs with good benefits for middle-class working families.

348 And manufacturing is truly key to America innovation and
349 competitiveness. Manufacturing accounts for 70 percent of
350 our private sector R&D, 90 percent of our patents, and 60
351 percent of our total exports, including a record 1.3 trillion
352 in goods exported last year. So today, I think we all agree
353 need to build on this moment. And I heard it in your
354 comments. After all, if we lose the ability to turn American
355 ideas into American products, if we lose that, our innovation
356 chains would break and we would lose our long-term capacity
357 to compete and create jobs.

358 As you have seen in my written testimony, we are focused
359 on four key areas at the Commerce Department. I will touch
360 on these quickly. First, promoting innovation and protecting
361 intellectual property; second, establishing regional
362 manufacturing partnerships; third, promoting investment and

363 trade; and fourth, providing information and analysis on the
364 manufacturing sector.

365 On a broader scale, the President has laid out a number
366 of proposals to support U.S. manufacturing. For example, he
367 has proposed that we reform our corporate tax code for the
368 first time since the 1980s. This would lower the effective
369 rate for U.S. manufacturers to 25 percent. Also, through the
370 Commerce Department at NIST, the National Institute of
371 Standards and Technology, the new budget, the 2013 budget
372 requests \$1 billion for a national network of manufacturing
373 innovation. And this would help maximize the industry
374 strengths in each of our U.S. regions. I will comment on
375 that later if you would like to go into that.

376 Overall, our focus at the Commerce Department is
377 powerful and sharp. The way we express it is build it here
378 and sell it everywhere. Manufacturing--build it here, sell
379 it everywhere.

380 I want to close by thanking you for continuing to
381 support a vibrant and dynamic manufacturing base. Thank you
382 for passing H.R. 4105, the bipartisan GPX legislation. This
383 allows our manufacturers to challenge and seek relief from
384 unfairly subsidized products entering our market. Efforts
385 such as these will help strengthen our recovery, create more
386 jobs, and ensure that American manufacturing continues to

387 lead in the 21st Century.

388 I am pleased now to take your questions.

389 [The prepared statement of Mr. Bryson follows:]

390 ***** INSERTS 1, 2 *****

|
391 Mrs. {Bono Mack.} Thank you, Mr. Secretary. I will
392 recognize myself for the first set of questions.

393 And my question to you begins with the Manufacturing
394 Council was intended to be a strong voice advising the
395 government of the private sector's views on issues that
396 affect manufacturing, yet that voice is not always heard by
397 the regulatory agencies, most notably the EPA. What can you
398 do to make sure that other federal agencies pay attention to
399 the needs of American manufacturers?

400 Secretary {Bryson.} Let me address the Manufacturing
401 Council; then I will touch on the EPA point if I could.

402 Mrs. {Bono Mack.} Sure.

403 Secretary {Bryson.} So the U.S. Manufacturing Policy
404 Council, which I chair across the entire Federal Government,
405 is a big step to bring all the departments together so that
406 we operate exactly with the same perspective, the same voice.
407 We reduce redundancy, we work across federal departments--the
408 Department of Defense, Department of Energy, and so on. So I
409 think that is a way to reduce the bureaucracy, to be more
410 productive, to be more efficient.

411 With regard to the point about EPA and regulation, I
412 can't address specifically the EPA issues, but if I could, I
413 will just touch generally on regulation. I regret I just,

414 you know, don't know the specifics of the EPA regulation very
415 well, but what the President has done and what I strongly
416 believe in--and I hear it all the time and I work with
417 manufacturers a lot--is we have to reduce regulation to the
418 maximum extent we possibly can. And what the President has
419 repeatedly said is we will allow regulation only to the
420 extent it is essential to our economy, the growth in the
421 economy, the national security, and to education. So those
422 are the criteria, and as a consequence, for example, I think
423 it is pretty widely known that the level of regulation and
424 new regulation is less than the first 3 years of this
425 Administration than the comparable 3 years in the prior
426 Administration. We have to keep working very hard on that.

427 Mrs. {Bono Mack.} Thank you, Mr. Secretary. In the
428 sake of time because I know we have a time crunch, I am going
429 to cut my questioning short recognizing that you and I spent
430 a fair amount of time together yesterday and you answered a
431 whole host of my questions. So at this point I am going to
432 yield back my time and recognize Mr. Butterfield for 5
433 minutes.

434 Mr. {Butterfield.} Thank you.

435 Mr. Secretary, the steel industry is a major employer in
436 my district employing hundreds of hardworking men and women
437 with solid jobs that they can support their families with.

438 The industry is still recovering from the Great Recession and
439 increased imports of low-priced imports have hampered that
440 recovery.

441 Specifically, imports of hot rolled steel from Russia
442 have surged into the U.S. market increasing by more than 50
443 percent between 2010 and 2011. There is a trade agreement
444 covering these imports, and in fact, the Commerce Department
445 and the U.S. International Trade Commission ruled last year
446 that this remedy should stay in place to prevent injury to
447 the industry. However, the remedy is no longer effective in
448 preventing dumping. The pricing mechanism in the agreement
449 is so outdated it literally gives Russian producers a license
450 to dump their steel in the U.S. My constituents brought this
451 to the attention of the Commerce Department and I understand
452 that you may be currently negotiating with the Russian
453 Government to update the agreement so that it reflects
454 current conditions and is effective in preventing dumping.

455 Can you give me and my colleagues an update on those
456 efforts? Can you assure me that you will hang tough and make
457 sure the agreement is revised in a way that prevents further
458 injury to the industry and workers? I appreciate you giving
459 this matter the urgency that it deserves.

460 Secretary {Bryson.} We have the responsibility in the
461 Commerce Department to see to it the trade laws are

462 respected, honored and we prosecute many, many cases in which
463 it appears there has been anti-dumping countervailing duties
464 that we needed to impose because subsidies and other means of
465 undermining U.S. manufacturing were being hurt. I don't know
466 the Russia case. I will have to get back on that to you
467 later.

468 Mr. {Butterfield.} Thank you. Please do that. That is
469 a big deal--

470 Secretary {Bryson.} Yeah.

471 Mr. {Butterfield.} --to the steel industry.

472 Secretary {Bryson.} I understand.

473 Mr. {Butterfield.} Mr. Secretary, we have heard all
474 sorts of reasons for why there has been a long-term decline
475 in manufacturing. We have heard it is because of labor
476 costs, we have heard it is because of currency manipulation,
477 we have heard it is because other countries invest
478 substantially more in that sector. The list goes on and on
479 but after reading the New York Times article, ``How the U.S.
480 Lost Out on iPhone work,`` I am not sure these reasons
481 accurately depict the role of overseas workers in the shift
482 away from U.S. manufacturing.

483 According to the article, one reason manufacturing
484 plants locate in China is the ability to scale up and down so
485 easily. In China, a manufacturer was able to hire 3,000

486 people overnight and of course it could fire them all 3 weeks
487 later if necessary. It hired 8,700 industrial engineers in
488 15 days, which could take about 9 months in the U.S. Also,
489 it was given access to a warehouse filled with glass samples
490 free of charge and the engineers were made available at no
491 cost and were staying at onsite dorms to be available 24
492 hours a day.

493 Mr. Secretary, we know that we can compete on scale and
494 ideas. Americans are hard workers. When we hear this talk
495 about speed and flexibility, are we really talking about an
496 overseas workforce conditioned to work 12- to 16-hour shifts
497 and live in dorms next to the plant? Is that really what we
498 have in mind?

499 Secretary {Bryson.} Mr. Congressman, I think you raise
500 an extremely important point. We have the responsibility at
501 the Commerce Department to see to it that trade laws are
502 honored. And we take many, many cases and many cases
503 relative to China in which we go forth with that. So to give
504 you a little background on what we do--and let me start with
505 a special thanks to this Congress--GPX, that was an action
506 that you took at the request of the President and we were
507 deeply involved as the Commerce Department to see to it that
508 the tens of thousands of American jobs in the 38 States that
509 were being attacked by, we believe, unfairly subsidized

510 imports in non-market economy countries--China would be one
511 of those--and you passed the legislation out at our request
512 and it puts us in this position. Several things we have done
513 plus now the protection of those steps, we have as of
514 February 2012 283 antidumping countervailing CVD orders in
515 place, which puts tariffs on 120 products. So there is lots
516 more to do.

517 For example, in March the Administration recently filed
518 a case in China's exports on rare earth. It is a violation
519 we believe of the World Trade Organization rules. It is a
520 policy designed by China to force manufacturing to relocate
521 to China and to limit foreign competition. So we have to
522 keep doing that. We do it with a very capable and large team
523 of people and these things are done under U.S. law and U.S.
524 requirements.

525 Mr. {Butterfield.} Thank you.

526 Mrs. {Bono Mack.} Thank you, Mr. Butterfield.

527 And the chair now recognizes Mr. Stearns for 5 minutes.

528 Mr. {Stearns.} Thank you, Madam Chairwoman.

529 Mr. Secretary, I come from this a little perhaps
530 differently than you. You talked in your opening statement
531 about an energy plan. The energy plan that I think you and
532 the Administration supports is based upon using solar panels,
533 wind panels, solar thermal devices and things like that. so

534 it seems to me if we are talking about where are the jobs, if
535 we use our natural resources in this country--fracking of
536 gas, oil and shale, burning clean coal, offshore drilling,
537 ANWR, the Keystone pipe--all those things would create a
538 plethora of new jobs. And towards that end, I think that is
539 where we come from a different perspective here.

540 I read in a quote in the L.A. Times recently that you
541 support the reauthorization of the Export-Import Bank. Is
542 that true? And I think that is in your statement here that
543 you are asking for Congress to continue to reauthorize it.
544 That is true?

545 Secretary {Bryson.} Yes, it is.

546 Mr. {Stearns.} Yeah. Now, one of the things I have
547 with that is that when I look at their annual report, they
548 gave \$10 million loan guarantees to Solyndra, and I chair the
549 Oversight and Investigation Committee on Solyndra and I
550 found, you know, that the due diligence of the Export-Import
551 Bank was negligible, and of course, the Department of Energy
552 did not do their due diligence and they went bankrupt. And I
553 guess the question is is there any guarantee that the
554 American people would have that the Export-Import Bank when
555 they go to companies like Solyndra and others that are
556 involved with this idea of wind panels and solar panels and
557 things like that, what confidence do we have that the Export-

558 Import Bank will do their due diligence again?

559 Secretary {Bryson.} So let me start within the Solyndra
560 question you are raising--

561 Mr. {Stearns.} No, it is not so much Solyndra. It is
562 just that you are recommending the Export-Import Bank provide
563 more money and lots of it is going to these companies like
564 Solyndra so I think you should be aware that before you ask
565 us to do this, there should be due diligence and caution the
566 Export-Import Bank to be careful about giving out money
567 without being sure that it is kind of worthwhile. Does that
568 make sense?

569 Secretary {Bryson.} The Export-Import Bank plays a very
570 big role in exports.

571 Mr. {Stearns.} No, I understand that. But the point is
572 they gave Solyndra \$10 million without due diligence. I just
573 want make sure it doesn't happen--let me go on. Let me ask
574 you another question.

575 You have been chairman of the board of BrightSource
576 Energy, is that correct?

577 Secretary {Bryson.} I was for a time, yes--

578 Mr. {Stearns.} Yeah.

579 Secretary {Bryson.} --for about 9 months.

580 Mr. {Stearns.} Now, that is another company that, you
581 know, this goes into my idea of developing jobs in this

582 country could be done through our natural resources and not,
583 you know, feathering up a lot of these solar panels and solar
584 thermal and wind turbines. For example, when you were the
585 CEO of that, didn't that get \$1.6 million from the Department
586 of Energy?

587 Secretary {Bryson.} I am sorry. When I was the CEO--I
588 didn't get the last part of your question. I was the CEO--

589 Mr. {Stearns.} I was told that the loan guarantee to
590 the company that you were CEO was \$1.6 million--billion
591 rather, but I don't think you got all that. Do you remember
592 how much of that that you got?

593 Secretary {Bryson.} I am afraid I don't.

594 Mr. {Stearns.} Okay. I understand. I understand. Do
595 you remember anything about the loan guarantee that the
596 Department of Energy gave the company that you were CEO,
597 BrightSource? Do you remember that at all?

598 Secretary {Bryson.} I--

599 Mr. {Stearns.} Just yes or no.

600 Secretary {Bryson.} I will check but I--

601 Mr. {Stearns.} Okay.

602 Secretary {Bryson.} I don't believe my company had--you
603 are talking about when I was the CEO of--

604 Mr. {Stearns.} BrightSource. It says the Department
605 of--

606 Secretary {Bryson.} Oh, BrightSource. So that--

607 Mr. {Stearns.} Yes, when you were CEO--

608 Secretary {Bryson.} That was not the company that I
609 was--

610 Mr. {Stearns.} --of BrightSource.

611 Secretary {Bryson.} --ever the CEO. That was after I
612 had stepped down for Southern California Edison, the major
613 electric utility in Southern California and the parent
614 company of which I--

615 Mr. {Stearns.} No, but at the time of your nomination
616 to the Secretary of Commerce on May 31, 2011, you were
617 chairman of the board of BrightSource Energy--

618 Secretary {Bryson.} Yes.

619 Mr. {Stearns.} --isn't that correct?

620 Secretary {Bryson.} That was that 9-month period, yes.

621 Mr. {Stearns.} Okay. So my question is--

622 Secretary {Bryson.} Chairman, not the CEO--

623 Mr. {Stearns.} --do you remember getting--

624 Secretary {Bryson.} --I was on the board, yes.

625 Mr. {Stearns.} --\$1.6 billion from the Department of
626 Energy when you were CEO. Do you remember that? Yes or no.
627 If you don't, that--I mean I guess the real larger question
628 is this idea of--

629 Secretary {Bryson.} The answer is no, I don't.

630 Mr. {Stearns.} You don't remember?

631 Secretary {Bryson.} I don't.

632 Mr. {Stearns.} So the real question is we are giving
633 money to a lot of companies that are being provided loan
634 guarantees, they are going bankrupt--Abound, Beacon. I mean
635 the list goes on. And yet we are talking about jobs. If we
636 gave jobs to the natural people where the resources are, we
637 would have unemployment down where it is in South Dakota,
638 North Dakota, Montana would be down to almost zero. And I
639 guess when you are talking about Department of Energy getting
640 \$1.6 billion, that is a lot of money. And I am sure you are
641 aware in announcing this, when I look at these companies, the
642 jobs they create are negligible. And I guess the question
643 would be when you as a CEO of BrightSource Energy got all
644 this money, how many jobs did you create?

645 Secretary {Bryson.} I was never the CEO of
646 BrightSource. I was never, ever, ever--

647 Mr. {Stearns.} You were chairman of the board, excuse
648 me. You were the chairman of the board. Yeah.

649 Secretary {Bryson.} I was chairman of the board, yes.

650 Mr. {Stearns.} And chairman of the board, the question
651 is how many jobs were created by this \$1.6 billion loan
652 guarantee? And that is sort of what all of us are concerned
653 about because we are spending all these taxpayers' money, and

654 they are either going bankrupt, holding on just by a thread,
655 and yet we are not creating any jobs.

656 So thank you, Madam Chair.

657 Mrs. {Bono Mack.} I thank the gentleman. Time has
658 expired.

659 The chair now recognizes Mr. Sarbanes for 5 minutes.

660 Mr. {Sarbanes.} Thank you, Madam Chair.

661 Thank you for being here, Mr. Secretary, obviously a
662 very important issue for us. And I want to commend the
663 Administration and you and other Cabinet-level officials for
664 the commitment and I think much more coordinated commitment
665 to reviving American manufacturing.

666 I am very focused on some of the special initiatives
667 that have been undertaken at NIST. You referenced NIST in
668 your comments. In particular there is the Manufacturing
669 Extension Partnership, which I know you are familiar with.
670 Within that in the last couple of years there has been a
671 special outreach effort called the Supplier Scouting
672 Initiative. And I don't know if you are familiar with that
673 or not, but basically, the idea there is to work harder to
674 find a match between these contracting opportunities with the
675 Federal Government and domestic manufacturers and suppliers
676 and vendors so that we don't have as many instances where
677 somebody is applying or asserting that a waiver should be

678 granted from, say, a Buy American provision--excuse me--
679 because in fact if you look a little harder and you get the
680 word out and you are more affirmed in the outreach, you can
681 in fact find American manufacturers and suppliers, you can do
682 the job so you don't have to deploy these waivers and so
683 forth. And obviously, it is better in terms of creating
684 jobs.

685 I wondered if you could speak to the potential of that
686 kind of outreach. I mean it goes to the question of, you
687 know, doing better with creating clearinghouses of
688 information that can connect these opportunities in the
689 Federal Government with the suppliers that are out there.
690 And you can speak to the Supplier Scouting Initiative if you
691 have some knowledge of it or you could speak more generally
692 to these efforts that we need to make to connect the dots for
693 people and also if you have a sense of which agencies among
694 the federal agencies are doing the best job. I have been
695 impressed with the Department of Transportation's efforts,
696 and Secretary LaHood has within sort of discretionary
697 authority to be more affirmative. He has really stepped up
698 and done that and maybe you have some impressions as well of
699 that agency's work and some of the others across the federal
700 platform that are trying to really reach out and bring in
701 those American manufacturers.

702 Secretary {Bryson.} I can give you an initial response.
703 I am only slightly informed about the Supplier Scouting
704 portion of this. That is new. It is done across several
705 departments as you are suggesting. Let me start with the
706 Manufacturing Extension Partnership Centers. They are in all
707 50 States. I think what you are affirming is they have made
708 an enormous difference in the development particularly of
709 small- and medium-sized manufacturing businesses because they
710 work with those businesses and they work, for example, in
711 training programs that are in support of those businesses.
712 And we increasingly strengthen our manufacturing base through
713 this Manufacturing Extension Partnership.

714 Once again, manufacturing, we have this goal. Make it
715 here, sell it everywhere, and the Scouting Initiative, as I
716 understand it, it is one that has worked as you are
717 suggesting--and I don't know the Department of Transportation
718 case--but has been valuable in working over other federal
719 agencies and has potential value that we would like to move
720 forward, but I will get back to you on--we have not done this
721 yet to my knowledge, so I believe what is going on at NIST
722 right now is further work on taking that kind of an
723 initiative.

724 Mr. {Sarbanes.} Well, I am very supportive of it and we
725 want to avoid looking back from the future and having vendors

726 and subcontractors and other American manufacturers out there
727 when they are told that an agency said, well, we couldn't
728 find anyone who could fill this niche or do this job and then
729 you have a whole bunch of folks who would raise their hands
730 and say, well, we were there; we could have done it.

731 Secretary {Bryson.} Yeah.

732 Mr. {Sarbanes.} But we didn't know, the effort wasn't
733 made, and so I think there are things underway that will
734 bridge that gap. The Scouting Initiative is certainly one of
735 them. There are others and I commend the agencies that are
736 moving forward with it.

737 And I yield back. Thank you, Madam.

738 Mrs. {Bono Mack.} I thank the gentleman.

739 Secretary {Bryson.} I am 100 percent firm we want it
740 done here in the U.S. We want it done at all levels right
741 here in the U.S. I agree. Excuse me.

742 Mrs. {Bono Mack.} I thank you.

743 And I am going to recognize Mr. Harper for 5 minutes,
744 but before you start, I just want to remind Members that the
745 Secretary has to be out of the door by 12:15 to catch a plane
746 and I know we are all sympathetic to that. So if you could
747 be judicious with your time in hopes that we can get every
748 Member an opportunity to ask their questions.

749 Mr. Harper, you are recognized for 5 minutes.

750 Mr. {Harper.} Thank you, Madam Chair.

751 Thank you, Mr. Secretary, for being here. Now that I
752 have 3 minutes it appears instead of 5 I will try to move
753 through this as quickly as I can, but thank you for your
754 attendance today and appreciate your time here.

755 And, you know, I am very fortunate in my district to
756 have a very aggressive economic development university in my
757 district in Mississippi State University. They realized a
758 long time ago that a major land grant institution, you know,
759 can serve as a strong catalyst for a lot of economic
760 development from generating spinoff advanced manufacturing
761 companies from research but also assisting in attracting
762 major industry into the State by providing that cutting-edge
763 research that is available. And it benefits not only the
764 university and the State but private industry as well.

765 And you mentioned the Advanced Manufacturing
766 Partnership, or AMP. Will universities like Mississippi
767 State be able to play a role in that partnership and will AMP
768 expand on what Mississippi State and other universities are
769 already doing?

770 Secretary {Bryson.} Yes. The idea of this what is
771 called NNMI, this initiative which is in our budget this year
772 one time out of NIST, and the idea of this is to really work
773 hard on the advanced manufacturing of the future, of this

774 year, next year, years beyond this because we are the leader
775 in the world in manufacturing. We are the leader in
776 manufacturing, but advanced manufacturing is where this
777 sector, as you know from Mississippi State, is going.

778 Mr. {Harper.} Yes.

779 Secretary {Bryson.} And so what we have to be very
780 smart about is the very best advanced technologies for
781 application in manufacturing. And the reality is technology
782 is going to be a big part of this, and we have to work with
783 these outstanding universities. So this NNMI initiative is
784 to bring together just what you are describing, the
785 outstanding universities working in this area, the
786 outstanding private sector leaders that are working in this
787 area, working in the labs with NIST, the National Institute
788 of Standards and Technology. And the plan is to build as
789 many as 15 of these around the United States regionally. In
790 other words, the greater Mississippi areas, the teams that
791 you might work with there would absolutely be a place where
792 there would be special strength that you would bring and
793 there are other places around the country. So the idea is to
794 do this and we want to move as fast as we can on this.

795 Mr. {Harper.} Right. Mr. Secretary, we also are very
796 proud to have in my district in Flowood, Mississippi, a Nucor
797 steel plant. And they have, you know, gone through a lot of

798 difficult times, you know, when the demand for steel fell
799 below 50 percent, they still didn't lay off a single worker.
800 It is a great story there. While the market has gotten
801 better--and you touched on this with Mr. Butterfield--and,
802 you know, a surge of imports of rebar from other countries
803 are kind of stopping this recovery in its tracks. And so,
804 you know, my understanding is there are certain countries, as
805 we sort of touched, on that do not have maybe a natural
806 economic advantage to produce steel and some even import
807 steel scrap from the United States in order to produce their
808 steel products. It does seem that some of these governments
809 in these countries may be subsidizing their steel industry.
810 You said I believe that it is imperative the Department of
811 Commerce look into that and we certainly encourage you to do
812 so.

813 With that, I will yield back the balance of my time.

814 Secretary {Bryson.} Thank you. Yes.

815 Mrs. {Bono Mack.} I thank the gentleman.

816 The chair recognizes Mr. Dingell for 5 minutes.

817 Mr. {Dingell.} Madam Chairman, thank you and I commend
818 you for the hearing.

819 I want to welcome my old friend, Secretary Bryson, here.
820 Mr. Secretary, welcome. He has a distinguished record as a
821 public servant and also as a very successful businessman who

822 was interested in his community and produced great things.

823 Welcome and we are delighted you are with us.

824 Secretary {Bryson.} Thank you.

825 Mr. {Dingell.} It is clear to me that manufacturing and
826 innovation are connected and in order to equip future workers
827 with technical skills, it is now more important that we work
828 hard on this than ever. I had some questions I think would
829 be useful in us understanding what the Administration are
830 doing. This will require a yes or no.

831 Mr. Secretary, is it correct that for every \$1 of
832 federal investment in MEP, American manufacturers generate
833 approximately \$30 in new sales growth and that that growth is
834 shown to result in close to \$4 billion in new sales annually?

835 Secretary {Bryson.} Yes.

836 Mr. {Dingell.} Thank you, Mr. Secretary. Now, is it
837 true that MEP helped--

838 Secretary {Bryson.} You have worked in this for a long
839 time and I respect it enormously, yes.

840 Mr. {Dingell.} Well, I don't mean to hurry you in your
841 response--

842 Secretary {Bryson.} No, I don't feel hurried at all.

843 Mr. {Dingell.} These questions are given with respect
844 but we have very little time, as you can observe.

845 Mr. Secretary, is it true that MEP helped create 19,000

846 jobs and retain over 40,000 jobs in fiscal year 2010?

847 Secretary {Bryson.} Yes.

848 Mr. {Dingell.} And that was a year of depression, was
849 it not, or recession?

850 Secretary {Bryson.} Yes.

851 Mr. {Dingell.} The Administration has requested level
852 funding for MEP in fiscal year 2013, about 128 million, is
853 that correct?

854 Secretary {Bryson.} Yes.

855 Mr. {Dingell.} So you are telling me that the 128
856 million investment in this will yield close to 4 billion in
857 new sales, is that correct?

858 Secretary {Bryson.} That is exactly right.

859 Mr. {Dingell.} It seems like a good investment to me.

860 Now, Mr. Secretary, I would simply observe that we ought
861 to be quarrelling up here whether we are going to put that
862 much money in or whether we are going to put more because it
863 seems to be an investment that pays off and that a sensible
864 businessman would like it very well. Do you agree with that
865 statement?

866 Secretary {Bryson.} I do agree.

867 Mr. {Dingell.} Mr. Secretary, a lot of companies depend
868 on very expensive software for advanced manufacturing such as
869 Ford, Chrysler, and GM in my district. The software is more

870 often than not developed by American firms. American
871 manufacturers purchase software legally but I am sure many
872 companies overseas pay nothing for pirated software and use
873 it without a license. That puts our people at a tremendous
874 disadvantage. What can the Administration do to level the
875 playing field for honest manufacturers that lawfully purchase
876 software and other information technology that they use? I
877 think, Mr. Secretary, given our time problem, you should give
878 me a brief answer and then I should request that you submit
879 further comments for purposes of the record. Thank you. Go
880 ahead, Mr. Secretary. Give me a response. We have a minute,
881 59 seconds.

882 Secretary {Bryson.} It is absolutely unfair that our
883 intellectual property be taken from us without compensation
884 and be used elsewhere as if it was not originated here. So
885 we need to stand strong against that and I won't go further
886 but I can commit something. I would like to tell you about
887 the instances in which the Commerce Department in various
888 ways has addressed that issue. I won't take that time right
889 now.

890 Mr. {Dingell.} Now, Mr. Secretary, we lose twice at
891 this. Once our software people lose and very significant and
892 then our manufacturers pay higher prices than do the people
893 that use or buy or acquire in other ways knockoff software.

894 Is that right?

895 Secretary {Bryson.} That is entirely right.

896 Mr. {Dingell.} And that hurts us twice?

897 Secretary {Bryson.} It does.

898 Mr. {Dingell.} Mr. Secretary, it is a pleasure to see
899 you here. Thank you.

900 Secretary {Bryson.} Thank you.

901 Mr. {Dingell.} Mr. Secretary, with your help, I yield
902 back 58 seconds.

903 Mrs. {Bono Mack.} Thank you, Mr. Dingell.

904 The chair recognizes Mr. Lance for 5 minutes.

905 Mr. {Lance.} Thank you very much, Madam Chair.

906 And good morning to you, Mr. Secretary. It is my honor
907 to meet you here today, sir.

908 The innovative U.S. biopharmaceuticals sector generates
909 high-quality jobs and enormous economic output and exports
910 for the economy of this country. As I understand it,
911 nationwide, the total economic output from the
912 biopharmaceutical sector in direct, indirect, and induced
913 impacts was almost a trillion dollars and the sector
914 supported a total of four million jobs in 2009, including
915 700,000 direct jobs. The district I serve in New Jersey is
916 arguably the medicine chest of the United States. What is
917 the Administration doing, Mr. Secretary, to retain this

918 country's global leadership position in biopharmaceutical R&D
919 and manufacturing?

920 Secretary {Bryson.} I know generally your district and
921 we are seeking to advance U.S. pharmaceuticals through the
922 International Trade Administration in many, many ways and
923 perhaps you are aware of that--

924 Mr. {Lance.} I am, sir.

925 Secretary {Bryson.} --work. We stand strong country
926 after country after country with respect to those
927 pharmaceuticals, and that may be the most important respect
928 in which we work on these things. And, you know, I am just
929 going to take it as a very large number of countries around
930 the world in which our commercial foreign services officers
931 are working on this virtually daily. I, for example, have
932 just come back from India. I had a trade mission taking U.S.
933 businesses to India. About 2 weeks ago, there for a week.
934 Pharmaceuticals came up again and again and we strongly
935 support.

936 Mr. {Lance.} I thank you. I look forward to working
937 you and the Department in this area.

938 Related to my last question, there is a trade agreement,
939 the Trans-Pacific Partnership, which the United States is
940 currently negotiating with eight countries in the Asia
941 Pacific region. Ensuring strong IP protections abroad for

942 all U.S. industries will be critical to our economy and to
943 American jobs. I strongly urge that the Administration
944 secure strong pharmaceutical IP provisions in the Trans-
945 Pacific Partnership, including 12 years of data protection
946 for biologics so that all American manufacturers can benefit
947 from these agreements and I would invite you to comment on
948 that, sir.

949 Secretary {Bryson.} Yes, and I would like to comment on
950 that. Trans-Pacific Partnership is a high-grade form of free
951 trade--

952 Mr. {Lance.} Yes.

953 Secretary {Bryson.} --arrangement, so we have these
954 agreements now. And what we need to do is bring them to
955 greater specificity and expand them more broadly across the
956 Pacific Rim, Southeast Asia, those countries. And this is
957 the President's stance for this--and I enormously stand for
958 it--because what we have to have in these agreements is not
959 the kind of agreements that have so many holes in them that,
960 for example, are incredibly able. The pharmaceutical
961 industry may be left out to some degree. We can't afford
962 that. This is what we need to do with the talent we have in
963 this country, so absolutely, I am supportive of that.

964 Mr. {Lance.} Thank you very much. I look forward to
965 working with you on this and other issues.

966 And Madam Chair, I yield back 1 minute, 13 seconds.

967 Mrs. {Bono Mack.} Thank you, Mr. Lance.

968 Mr. Rush, you are recognized for 5 minutes.

969 Mr. {Rush.} Thank you, Madam Chair.

970 Mr. Secretary, I commend you for your leadership and for
971 the vision that you are bringing to the agency.

972 You have the difficult task of advancing the President's
973 manufacturing agenda at a time when U.S. corporations are
974 facing global competition at a time when American
975 corporations are losing market share to growing export
976 countries like China, Southeast Asia, and India. The
977 policies you are currently implementing aim at ensuring the
978 U.S. access to global markets and to enable manufacturers to
979 reach 95 percent of consumers who live outside of our
980 borders.

981 I would add that our industries not only have to be
982 competitive but they also need to be one of the fastest in
983 terms of the market share gain before we would be able to
984 reduce the incurring trade deficit. Obviously, we have to be
985 innovative, proactive, and not overlook any market. And in
986 light of this, I am curious to know which particular markets
987 are you targeting in your investment strategy? In other
988 words, which markets do you think are right to receive
989 American products?

990 And I have another question and I will ask these
991 questions. Nowhere in your statement--and I might be wrong--
992 have I seen reference to the African market, which according
993 to many reports is the fastest growing region in the global
994 economy. You are aware, I am sure, of the Economist article
995 that states that ``over the past 10 years, no fewer than
996 seven of the world's 10 fastest-growing economies were in
997 sub-Saharan Africa. And the only countries to make the list
998 of the top 10 is China, which comes after Angola. And
999 predictions are that Nigeria, Ethiopia, Chad, Mozambique,
1000 Tanzania, the Congo, Ghana, and Rwanda are projecting to
1001 increase and take the lead and that Africa's economy will go
1002 at an average annual rate of 7 percent over the next 20
1003 years, slightly faster than China's.

1004 And also according to the Economist and other reputable
1005 sources, the last Secretary of Commerce who visited Africa
1006 was Secretary Evans, who visited in 2012. So--and also I
1007 want to just add that if we double our exports to Africa, we
1008 can create up to 315,000 jobs domestically. So the question
1009 is what regions are you targeting for the export of the U.S.
1010 that your department is targeting and how do you feel about
1011 the market in Africa? And are you planning on visiting
1012 Africa in the near future to take a delegation to Africa?

1013 Secretary {Bryson.} Thank you very much, Congressman.

1014 The question of targeting exports, we target all over
1015 the world, all over the world. So, for example, I am just
1016 back, as I indicated, from India, took 16 U.S. outstanding
1017 businesses. I think things will follow very positively. We
1018 already have some arrangements.

1019 With regard to sub-Saharan Africa, though, I have
1020 personally been there. In this new role, I have not been
1021 there yet. I would like to talk with you a little further
1022 about the opportunities you see there. I have been meeting
1023 with senior-most leaders from sub-Saharan Africa to a degree.
1024 For example, I met with the--is it Prime Minister or
1025 President of Ghana when he was here. I have met senior
1026 officials from Nigeria when they were here. In my own
1027 business I did quite a lot in South Africa. That was in my
1028 energy business. But I think you are right that that
1029 deserves priority and focus and I would like to go further
1030 with it and I would like to talk to you about any ideas you
1031 have about how we might take that further.

1032 Mr. {Rush.} Madam Chair, I yield back 5 seconds.

1033 Mrs. {Bono Mack.} Thank you for your generosity.

1034 The chair recognizes Dr. Cassidy for 5 minutes.

1035 Dr. {Cassidy.} Thank you, Mr. Secretary. Mr.
1036 Secretary, I have a PricewaterhouseCoopers article which
1037 speaks about how the availability of shale gas has just been

1038 tremendous in terms of jumpstarting manufacturing. For
1039 example, lower feed stock and energy costs could help U.S.
1040 manufacturers reduce natural gas expense by almost \$12
1041 billion annually through 2025 and that because of this there
1042 may be one million more workers added by 2025 in
1043 manufacturing, really tremendous. Now, my concern is if we
1044 take the old John Marshall maxim, the power to tax is the
1045 power to destroy, the President's insistence upon denying
1046 energy companies the same manufacturing tax incentives as
1047 other manufacturing companies, does that denial of a Section
1048 199 for an energy company imperil or at least potentially
1049 harm the manufacturing renaissance we are enjoying because of
1050 the work these energy companies are doing?

1051 Secretary {Bryson.} Let me address the energy and then
1052 I will do what I can on the tax--I am not an expert. Tax is
1053 really one out of the U.S. Treasury, not the U.S. Commerce.

1054 Dr. {Cassidy.} But it is so interrelated to the ability
1055 of a manufacturing company to do so; that is why I raise the
1056 point now.

1057 Secretary {Bryson.} And I have indicated what the
1058 President has set out for manufacturing companies, but let me
1059 also say to you I absolutely agree that your point about the
1060 incredible value to the United States now of this natural gas
1061 find so that we become more dependent on U.S. sources of all

1062 forms of energy, which is just the position we most want to
1063 be in. So it enhances our national security and reduces the
1064 risk--

1065 Dr. {Cassidy.} I totally accept that--

1066 Secretary {Bryson.} Yes.

1067 Dr. {Cassidy.} --so with your business background, if
1068 you raise the cost of the company to produce that energy,
1069 which in turn increases the input cost for the manufacturing
1070 companies which depend upon that energy, won't you decrease
1071 the competitiveness if you will of our manufacturers vis-à-
1072 vis those in other countries? Our input costs are raised
1073 because of tax policy, whatever, imperiling our ability to
1074 compete. Doesn't that just make sense?

1075 Secretary {Bryson.} Yeah, getting taxes right in our
1076 country for business is very important. I can't give you a
1077 response on the specifics. I just don't know in the case you
1078 are describing.

1079 Dr. {Cassidy.} Now, next question--thank you. You said
1080 earlier build it here and sell it everywhere. Would you
1081 accept that this should also apply to the export of natural
1082 gas-based products?

1083 Secretary {Bryson.} What I am trying to puzzle through
1084 in my mind as you are asking this is with regard to
1085 manufacturing in every respect I am in favor of build it here

1086 and sell it everywhere. If you take me deeper into the
1087 manufacturing component of what you are addressing, I will
1088 say if it is manufacturing, that is what I am supporting and
1089 we are working hard in every way. And I think you would
1090 find, for example--well, I have been very supportive, for
1091 example, with the U.S. oil companies in supporting their
1092 overseas positions. I am very strongly supportive of that.

1093 Dr. {Cassidy.} So some would argue that we should not
1094 explore natural gas or natural gas refined products.

1095 Secretary {Bryson.} Yeah, I--

1096 Dr. {Cassidy.} You would accept if we have an abundance
1097 of natural gas, you would accept that that or its refined
1098 products could be exported?

1099 Secretary {Bryson.} I would, yes.

1100 Dr. {Cassidy.} Okay. That is fine. I have plenty more
1101 questions but I yield back for my colleagues.

1102 Mrs. {Bono Mack.} I thank the gentleman and now
1103 recognize Mr. McKinley for 5 minutes.

1104 Mr. {McKinley.} Thank you, Madam Chairwoman.

1105 Mr. Secretary, I have got a question. Back in
1106 Pittsburgh in 2008 then-candidate Obama was very aggressive
1107 in contending that China was manipulating its currency. Is
1108 China still manipulating its currency? Remember, he said
1109 they were. Are they still?

1110 Secretary {Bryson.} I believe that China is still
1111 manipulating its currency. I believe that currency still is
1112 lower than the market price.

1113 Mr. {McKinley.} What he went on to say in his remarks,
1114 Mr. Secretary, he said if they are, then we are going to
1115 start shutting off access to our markets. What market have
1116 we shut off?

1117 Secretary {Bryson.} Say it to me again.

1118 Mr. {McKinley.} He said if they are going to continue
1119 manipulating their currency, we are going to start shutting
1120 off access to our markets. I am curious which markets now 3
1121 years into his Administration has he shut off?

1122 Secretary {Bryson.} Let me address what is within my
1123 area of responsibility. The Department of Treasury deals
1124 with the tax issues, deals with the currency issues, but what
1125 we are responsible for at the Department of Commerce is
1126 seeing to it that there is no violation of trade laws. And
1127 it is important, in direct response to your question, that
1128 anything that is done, for example, out of China or any
1129 other--

1130 Mr. {McKinley.} Okay. You are saying it is not in your
1131 department, then?

1132 Secretary {Bryson.} What I am saying is that the reason
1133 that we have right now the very, very large number of orders

1134 that make it such that we impose heavy tariffs on goods that
1135 come from these countries is an offset to the fact that they
1136 are subsidizing unfairly under those laws--

1137 Mr. {McKinley.} Okay.

1138 Secretary {Bryson.} --so that is--

1139 Mr. {McKinley.} Maybe if you could get back to us with
1140 a little bit more in writing, I would appreciate that. If
1141 you could maybe explain it because we are short time on this
1142 and I would like to understand--you have acknowledged that
1143 they are manipulating their currency.

1144 The second is you made an interesting remark that I
1145 appreciated--

1146 Secretary {Bryson.} Let me just say if I could we can
1147 refer that to the U.S. Department of Treasury. I would be
1148 happy to refer it to them. That is where the judgment is
1149 reached about Treasury.

1150 Mr. {McKinley.} The second issue that you made an
1151 interesting remark earlier about how they were reining in
1152 some of the regulatory effects and you said as long as it
1153 doesn't have an impact on manufacturing and jobs, but yet we
1154 are already seeing that using the Clean Air Act, the EPA has
1155 now caused up to approaching 40 gigawatts of power. Coal
1156 fire generating plants have now indicated they are going to
1157 shut down. So would you not suggest that that probably is

1158 going to increase the cost of electricity to some
1159 manufacturers when you have over 10 percent of our electric
1160 generating plants closing? Isn't that likely to increase the
1161 cost of utilities?

1162 Secretary {Bryson.} You will have to give me a little
1163 more on the case in point, but let me say in general what the
1164 President has stood for very strongly is limiting, reducing--

1165 Mr. {McKinley.} I hear what he stands for but it is
1166 what he is doing, he is allowing to happen. Does the
1167 Commerce recognize that decreasing electric generating
1168 facilities is likely to increase the cost of electricity?
1169 Yes or no?

1170 Secretary {Bryson.} Let me address regulation and then
1171 I will address utilities briefly if I could. The regulation
1172 is the only thing that is allowed in this Administration with
1173 regard to regulation is things that bear strictly on health,
1174 safety, and security. That is it. That is all. So what, as
1175 perhaps you have seen in some EPA cases, for example, the
1176 President has not allowed those to go forward.

1177 With regard to happens to utility power costs, new forms
1178 of generation are less expensive than old forms of generation
1179 in many cases.

1180 Mr. {McKinley.} If they are subsidized I suppose I
1181 would go along--

1182 Secretary {Bryson.} No, no, no--

1183 Mr. {McKinley.} The last comment that the Congressman
1184 from New Jersey mentioned about the letter about Russia.

1185 This is a letter sent to you in February, February 17, so for
1186 your staff to be able to find that there was a letter
1187 directed to your attention on February 17 asking--so perhaps
1188 they need to communicate that to you.

1189 Secretary {Bryson.} All right.

1190 Mr. {McKinley.} Thank you very much.

1191 Secretary {Bryson.} Thank you.

1192 Mrs. {Bono Mack.} All right. The chair recognizes Mr.
1193 Pompeo for 5 minutes.

1194 Mr. {Pompeo.} Great. Thank you, Madam Chairman.

1195 Good morning, Mr. Secretary.

1196 Secretary {Bryson.} Good morning.

1197 Mr. {Pompeo.} Thank you for joining us. I appreciate
1198 your enthusiasm for the growth of American manufacturing. I
1199 represent south central Kansas. It is the air capital of the
1200 world. The President has more times than we have minutes
1201 remaining in our day talked about corporate fat cat jet
1202 owners. We have one of the last great manufacturing jewels
1203 left in America that has not asked for a dime, doesn't want a
1204 grant, doesn't want a loan, doesn't want to be bothered,
1205 would just like to have your supervisor, President of the

1206 United States, stop talking down this incredibly important
1207 industry. Can you walk me through how he thinks the
1208 customers for these union workers, these engineers that live
1209 in the heartland of America who are building these airplanes,
1210 how talking down that industry has anything to do with job
1211 creation in America?

1212 Secretary {Bryson.} So I am sorry, just take me a
1213 little further. What industry--

1214 Mr. {Pompeo.} The general aviation industry. We have
1215 Cessna and Beechcraft and Learjet and Boeing and hundreds of
1216 suppliers that live in south central Kansas and make their
1217 livings building these very airplanes that are sold to the
1218 folks that the President refers to as corporate fat cat jet
1219 owners. And it hurts the industry when he makes it
1220 politically incorrect to fly around in a business tool. And
1221 so I am asking you what the job creation rationale for
1222 talking down the aviation industry could possibly be?

1223 Secretary {Bryson.} My experience--and I know this
1224 directly--I was for 18-1/2 years a member of the Boeing Board
1225 of Directors. The President has been very, very supportive
1226 of U.S. aviation. And when I do the tours that I do around
1227 the world I am again and again and again espousing U.S.
1228 aviation, component parts--

1229 Mr. {Pompeo.} Well, I appreciate that.

1230 Secretary {Bryson.} --that is what I do.

1231 Mr. {Pompeo.} I appreciate that. It is an incredibly
1232 important industry. It is one of our largest export
1233 industries in America. It is incredibly important. He may
1234 be supportive of it but the things he says when he speaks and
1235 his notion that we should increase user fees and that he
1236 wants to increase taxes on generation aviation users are
1237 inconsistent with your statement that he is supportive of
1238 that. So anything you can do to help make sure that folks
1239 want to use these as business tools, they are very efficient.
1240 They are a great product and we make them here in the United
1241 States of America.

1242 I want to turn to a second topic. You said you go out
1243 to a lot of manufacturers. I actually was a manufacturer for
1244 a few years before I came here. When you ask them the things
1245 that restrict their ability to create and grow jobs and they
1246 list the top three or four, do any of them talk about
1247 receiving federal grants as important as their desire to
1248 continue to grow jobs? Do they say, Mr. Secretary, the most
1249 important thing you could do for me would be to provide a
1250 federal grant to my business?

1251 Secretary {Bryson.} In the advanced manufacturing area,
1252 principally, possibly exclusively the advanced manufacturing
1253 area, yes, because the focus there is, in a globally

1254 competitive world, to retain the smarts, the very best
1255 technologies, the most outstanding means of retaining and
1256 enhancing our competitive position. In technology in the
1257 form of advanced manufacturing will be a significant part of
1258 that. And the role that the Federal Government plays by way
1259 of a stimulus by the way the kind of work that is done at
1260 NIST, so right here in this area--

1261 Mr. {Pompeo.} Um-hum.

1262 Secretary {Bryson.} --the D.C. area where we are doing,
1263 for example, this work on nanotechnology right now, and that
1264 has opened in every case invited the only such thing, at
1265 least in the United States, the only thing I know--let us
1266 just say in the United States--

1267 Mr. {Pompeo.} Um-hum.

1268 Secretary {Bryson.} --where you, as a manufacturer,
1269 folks down in advanced manufacturing can go and use the lab
1270 and bring in your best people, the universities that you work
1271 with, best people, and so on.

1272 Mr. {Pompeo.} I appreciate that. But most of the grant
1273 programs--the Economic Development Administration as a good
1274 example--aren't providing for advanced manufacturing
1275 technology. These are grant programs that are going to old
1276 line industries. Do those folks talk about grants? What I
1277 hear from them is I hear about get the government out of my

1278 way, get regulation out of my way, and allow me to go grow my
1279 job and help me with trade so I can have access to markets.
1280 I mean even the President said when he was campaigning he
1281 said we need to cut back waste at agencies like the Economic
1282 Development Administration, his words, September of 2008. I
1283 haven't seen that. I have seen continued efforts of this
1284 Commerce Department to try and pick winners and losers in the
1285 manufacturing space.

1286 Secretary {Bryson.} The Federal Government is involved
1287 in manufacturing in multiple ways, the Commerce Department is
1288 in multiple ways. The Manufacturing Extension Partnership
1289 works with so many of these small and medium-sized
1290 manufacturers and in the communities and in the community
1291 colleges and so on that work with them. So, yes, there is
1292 Federal Government that there are dollars associated with
1293 that. What we try to do is use those dollars really, really
1294 well.

1295 Mr. {Pompeo.} Well, I--

1296 Secretary {Bryson.} In regards to the Economic
1297 Development--

1298 Mr. {Pompeo.} I am sorry, my time is--go ahead.

1299 Secretary {Bryson.} The Economic Development
1300 Administration likewise small agency, modest budget, very,
1301 very tight control over cost, and what it does, it is the

1302 only Economic Development Administration across the entire
1303 Federal Government and it does things and we could provide
1304 you--

1305 Mr. {Pompeo.} Well, I would welcome that. I appreciate
1306 it. Thank you.

1307 Secretary {Bryson.} Yeah.

1308 Mr. {Pompeo.} The Commerce Department has the
1309 opportunity to do so many good things. I just wish you would
1310 spend less time trying to redistribute wealth and more time
1311 creating opportunities for everyone. So I thank you very
1312 much--

1313 Secretary {Bryson.} Thank you.

1314 Mr. {Pompeo.} --for your time.

1315 Secretary {Bryson.} Thank you.

1316 Mrs. {Bono Mack.} Mr. Secretary, do you have time for
1317 one more question from the last Member? If it is a rather
1318 brief question, the last Member has a quick question for you.

1319 Secretary {Bryson.} Okay, yes, we can do one more.

1320 Mrs. {Bono Mack.} Your staff is indicating they will
1321 drive quicker to the airport. So the chair recognizes Ms.
1322 Blackburn for her question.

1323 Mrs. {Blackburn.} Thank you, Madam Chairman.

1324 And, Mr. Secretary, you have been patient with us today
1325 and we are appreciative of that. And I know that Congressman

1326 Dingell asked you a little bit about information technology.
1327 In my district in Tennessee we have got a lot of performers,
1328 as well as having a lot of small business manufacturers who
1329 purchase information technology in order to try to get a
1330 competitive edge. And then it turns around that they are
1331 competing with companies in China or Russia or somewhere that
1332 have stolen that information technology. And what I want to
1333 know from you is what can you do and can the Federal
1334 Government do anything about the competitive harms that are
1335 caused by the theft of that information technology that
1336 drives the efficiencies and also about other U.S.
1337 intellectual property that is stolen? And specifically, are
1338 you going to put any strong IP protections and trade
1339 agreements like the Trans-Pacific Partnership?

1340 Secretary {Bryson.} So the short answer is intellectual
1341 property that we do not get compensated for that is taken in
1342 other countries and there is no compensation and no
1343 recognition of where that initially came from is flat out a
1344 loss to the people in our country who deserve the right to be
1345 compensated for what they provide, and with that, those
1346 people would only make better products rather than not
1347 getting the compensation they should have. So that is our
1348 responsibility at the Commerce Department to see to it that
1349 those obligations are honored, and then when it is not done,

1350 that we file these mini-proceedings against them that I have
1351 described earlier to see to it that it is done. And that is
1352 a nonstop job at the Commerce Department.

1353 Mrs. {Blackburn.} Okay. And then, are you going to
1354 insert stronger IP protections with trade agreements like the
1355 Trans-Pacific?

1356 Secretary {Bryson.} Yes.

1357 Mrs. {Blackburn.} Thank you. Yield back.

1358 Mrs. {Bono Mack.} I thank the gentlelady.

1359 And Mr. Secretary, you have been very gracious with your
1360 time. We appreciate you being with us today. We all look
1361 forward to working with you in the future on these issues
1362 that we all care about so deeply. And together let us just
1363 make printing help wanted signs a booming business in
1364 America. Again, thank you for your time. We wish you safe
1365 travels.

1366 Secretary {Bryson.} Could I put one thing on the record
1367 that I have just been asked to be sure that I--

1368 Mrs. {Bono Mack.} Sure.

1369 Secretary {Bryson.} --have left some confusion possibly
1370 with regard to this question that I had about the
1371 manipulation of currency in China and what I repeatedly
1372 answered is that is the U.S. Treasury's role. But what I
1373 don't want to let not stand is that we believe that China

1374 absolutely must allow its currency to appreciate. That is
1375 critical. And thank you very much. I apologize for putting
1376 this last word in.

1377 Mrs. {Bono Mack.} That is okay. I appreciate your
1378 clarification there. And again, safe travels to and from
1379 California and thank you for your time. And at this time, we
1380 are going to take a very brief recess as we seat the second
1381 panel.

1382 Secretary {Bryson.} Thank you.

1383 [Recess.]

1384 Mrs. {Bono Mack.} --to begin with our second panel.
1385 Joining us today are Dr. Robert Atkinson, President of
1386 Information Technology & Innovation Foundation; Alfonso
1387 Lubrano, President of Materion Technical Materials, Inc., and
1388 Vice Chairman of National Association of Manufacturers Small
1389 and Medium Manufacturers; Craig Giffi, Vice Chairman and U.S.
1390 Leader, Consumer and Industrial Products at Deloitte; and Dr.
1391 Kenneth Tindall, Senior Vice President, Science and Business
1392 Development from North Carolina Biotechnology Center.

1393 Good afternoon. Thank you all for being with us here
1394 today in front of our subcommittee. You will each be
1395 recognized for 5 minutes. To keep track of time, please
1396 watch the timers in front of you. When it turns yellow, you
1397 have a minute to wrap up. And if you can, please make sure

1398 to turn your microphone on and bring it close to your mouth.

1399 The audience at home needs to hear you and only they can if

1400 you are speaking clearly into the microphones.

1401 Dr. Atkinson, you are recognized for 5 minutes.

|
1402 ^STATEMENTS OF ROBERT D. ATKINSON, PRESIDENT, INFORMATION
1403 TECHNOLOGY & INNOVATION FOUNDATION; ALFONSO T. LUBRANO,
1404 PRESIDENT, MATERION TECHNICAL MATERIALS, INC., AND VICE
1405 CHAIRMAN, NATIONAL ASSOCIATION OF MANUFACTURERS SMALL AND
1406 MEDIUM MANUFACTURERS; CRAIG A. GIFFI, VICE CHAIRMAN AND U.S.
1407 LEADER, CONSUMER AND INDUSTRIAL PRODUCTS, DELOITTE & TOUCHE;
1408 AND KENNETH R. TINDALL, PH.D., SENIOR VICE PRESIDENT, SCIENCE
1409 AND BUSINESS DEVELOPMENT, NORTH CAROLINA BIOTECHNOLOGY CENTER

1410 ^STATEMENT OF ROBERT D. ATKINSON

1411 } Mr. {Atkinson.} Thank you, Madam Chairman and members
1412 of the committee. It is a pleasure to be here.

1413 ITIF has been doing a fair amount of research on what
1414 has actually happened to the U.S. manufacturing economy and
1415 we will be releasing a report shortly on what do we need to
1416 do to fix it. As we have shown in our work, we lost a larger
1417 share of our manufacturing jobs in the last decade than we
1418 did in the Great Depression. The consensus among most
1419 economists is that this is a reflection of superior
1420 performance, that all of these jobs were lost due to high
1421 productivity, and our analysis suggests that is only
1422 partially true. Some of those jobs were due to high

1423 productivity. As companies get more efficient, they don't
1424 have to hire as many workers, which is good for the economy.
1425 But we argue that at least 2/3 of those jobs were lost due to
1426 the fact that U.S. companies were not able to be competitive
1427 in global marketplaces. And my testimony goes into more
1428 detail on that.

1429 But just one I think important point there, 13 of 19
1430 manufacturing sectors actually are producing less today than
1431 they were in 2000 in real, inflation-adjusted terms. This is
1432 unprecedented in American history. That has never happened
1433 before. Every decade before this, we have had expansion of
1434 manufacturing. We argue that when measured properly, U.S.
1435 manufacturing output declined 11 percent in the last decade
1436 in inflation-adjusted terms. And one indicator of that is
1437 when you look at the amount of capital investment that
1438 manufacturers make. The Bureau of Economic Analysis measures
1439 this. They measure what is called capital stock, which is
1440 the amount of machines, the amount of computers, everything
1441 that manufactures have. And in most decades since 1940 to
1442 the present, capital stock is growing about 30 percent a
1443 decade, sometimes 50 percent a decade. In this last decade,
1444 it grew 1.2 percent.

1445 So we think there is a big challenge. We think that we
1446 have to respond to that challenge. And so what should

1447 Congress do? I think there are a number of areas that are
1448 important. Actually, let me just mention I don't want to
1449 sound overly pessimistic. I think we have big challenges but
1450 there are certainly some trends in the right direction. We
1451 heard earlier in the hearing about natural gas and the
1452 reduction of input costs to certain industries like
1453 chemicals. That is an important new benefit that the U.S.
1454 economy didn't have 5 to 10 years ago. Certainly, some costs
1455 are going up in countries like China. Many companies now are
1456 taking a new look at offshore and using full cost calculus.
1457 So there are some good things happening, but I still think we
1458 can't just rely on that. We have got to get new policy
1459 changes.

1460 What are some of those? Let me just say three major
1461 ones. One is on the tax side. We have the dubious honor now
1462 as of April 1 to have the highest corporate tax rate in the
1463 world and that is also close to on the effective rate. So we
1464 have a high statutory rate but a knot of studies have shown
1465 we have a high effective rate as well. So we have got to
1466 something on the corporate tax side that doesn't just re-
1467 jigger the deductions and the incentives and leaves the
1468 effective rate the same. We have got to focus on reducing
1469 the effective rate I would argue.

1470 But as I have argued before, we also should do that in a

1471 way that keeps key incentives that are critical to
1472 manufacturers. One of those is MACRS or Modified Accelerated
1473 Cost Recovery System, which is essentially being able to
1474 write off equipment sooner than you would otherwise. That is
1475 a critical incentive. The R&D tax credit and Section 199,
1476 Domestic Production Deduction, those are all very critical
1477 tax incentives that help U.S. manufacturers become more
1478 competitive.

1479 I think one other area we need to focus on is I would
1480 argue we should be focusing on a new kind of regulatory
1481 review so that major regulations have to go through
1482 essentially a competitiveness screen. There are certainly
1483 needed regulations but when you are focusing on impacts on
1484 sectors that are globally traded, we need to look at that
1485 more carefully because those could have much bigger impacts
1486 than say on sectors that don't face global competition.

1487 Having said that, though, I think it is not enough just
1488 to focus on cost reduction. Cost reduction is important but
1489 the Germans, their wages are 45 percent higher than ours, so
1490 we also have to get better, not just cheaper. One key area
1491 is trade. A number of people have talked about that. Our
1492 view is that there is rampant what we would call innovation
1493 mercantilism going on in countries like China, Brazil, India,
1494 Russia, and we simply have to get a lot tougher. And that is

1495 not about being protectionist. That is about defending
1496 globalized trade. It is about defending the free trade
1497 system, which they are systemically violating. And I give
1498 the Administration credit there, but I do think we need to do
1499 a lot more.

1500 Last point is technology. I don't think we can win this
1501 without doing all three things. We have to have the tax
1502 system, the trade system, but I do argue we have to have a
1503 technology system. And I give the Administration credit and
1504 others here who have supported things like the MEP program
1505 and this new national institute, NNMI, National Network of
1506 Manufacturing Institutes. Many of our major competitors have
1507 these kinds of industry-university cooperative partnerships
1508 that help develop advanced technology and get it out to
1509 companies. I think we could do a better job there as well.

1510 Thank you very much.

1511 [The prepared statement of Mr. Atkinson follows:]

1512 ***** INSERT 3 *****

|
1513 Mrs. {Bono Mack.} Thank you, Mr. Atkinson.

1514 Mr. Lubrano, you are recognized for 5 minutes.

|
1515 ^STATEMENT OF ALFONSO T. LUBRANO

1516 } Mr. {Lubrano.} Thank you very much, Chairman Mack, and
1517 thank you to the members of the subcommittee in allowing me
1518 this opportunity to testify on behalf of the National
1519 Association of Manufacturers.

1520 I would like to start off by saying this is an extremely
1521 exciting time for our country and for manufacturing. I am
1522 president of Materion Technical Materials in Lincoln, Rhode
1523 Island. We are a subsidiary of Materion Corporation, which
1524 is headquartered in Mayfield Heights, Ohio. We have offices
1525 throughout North America, Europe, and Asia, and we serve
1526 customers in more than 50 countries.

1527 Materion Technical Materials is the world's leading
1528 resource for engineered specialty strip products and offers a
1529 wide range of products and expertise in numerous markets,
1530 including automotive and consumer electronics. I have been
1531 leading the company since 1992. It is my privilege to serve
1532 on NAM's board of directors. As vice chair of the small to
1533 medium-sized business group, manufacturing group, and on the
1534 board in general, I also serve as chairman of the Rhode
1535 Island Manufacturers Association and on ITAC 11 here in
1536 Washington.

1537 I would just like to make a quick statement about what
1538 creates jobs. And a critical component for sustained
1539 economic recovery is job growth. With 95 percent of the
1540 potential consumers out of the United States, manufacturers
1541 everywhere have to compete globally. The way jobs are
1542 created is we go out and we have to compete for that global
1543 business. If we are competitive, we book the business. If
1544 we book the business, we have to make things. If we make
1545 things, we hire people. Very simple. Manufacturers have
1546 been proud to be leading the Nation's economic recovery with
1547 increased productivity, renewed investment, employment,
1548 export, and innovation. As we have heard many times today,
1549 we are the top manufacturing economy in the world, accounting
1550 for 21 percent of global manufacturing.

1551 Nonetheless, we remain extremely concerned about the
1552 challenges facing us in the United States. It is 20 percent
1553 more expensive to manufacture product here. If you look at
1554 that 20 percent and add China's currency manipulation, we
1555 come out of the box at a 60 percent--in some cases--
1556 disadvantage, not to mention the trade barriers they are
1557 putting up. As president of a small business, I deal
1558 directly with these costs on a daily basis. I have an email
1559 on my laptop about a new opportunity in China. Their trade
1560 barriers are quite likely going to prevent me from getting

1561 that opportunity. It is for a small company called Apple.
1562 That is two to five jobs right there I am not going to be
1563 able to get potentially. So the situation on a global basis
1564 and the uncertainty, really, really hurts our ability to
1565 create jobs.

1566 We created roughly 150,000 jobs in manufacturing in the
1567 last 4 months. If you look at the multiplier, which has been
1568 estimated to be anywhere from two to four, you could be
1569 talking about 600,000 jobs. In order for us to continue to
1570 drive and create these jobs in this country, we need Congress
1571 to help us get more competitive. It is all about global
1572 competition. There are four goals that NAM has put together
1573 for economic growth. I would defer you to read those goals.
1574 I am trying to move as quickly as I can to get through
1575 everything here. But the United States needs access to
1576 global markets to enable us to get and reach 95 percent of
1577 these consumers who live outside our borders. To do that, we
1578 need effective tax policy, energy policy. We need to stop
1579 these insane regulations.

1580 And let me just make a quick point about the
1581 environment. I have children. I have grandchildren. I want
1582 them to breathe clean air. Overregulating is going to hurt
1583 the global environment. How is that going to happen? We are
1584 driving business out of this country into other countries

1585 that are not as careful with the environment as we are. So
1586 in theory, overregulation is going to backfire and hurt the
1587 global economy.

1588 Lowering the tax rate is important. The Ex-Im Bank is
1589 another important parameter that we need. We need FTAs. I
1590 want to make a quick statement about FTAs. The FTAs we have
1591 in place actually have trade surpluses. As a matter of fact,
1592 over the past 4 years where we have FTAs in place we have a
1593 cumulative trade surplus of \$120 billion. That equates
1594 directly to jobs. We need jobs for that sustained economy.
1595 I have talked about that early on.

1596 Workforce development, I have three technology jobs I
1597 can't fill right now. If you multiply that by all other
1598 kinds of small companies, we could be talking 600,000 to a
1599 million and a half jobs unfilled because of workforce.

1600 I know I am out of time. I just want to end with this
1601 is a time of great optimism for manufacturing in the United
1602 States. We ask for your help. Help us get more competitive.
1603 Please, I am begging you. We can do it. We can get those
1604 jobs back here. We can make this economy rock but we need
1605 your help. We can't do it without your help.

1606 Thank you.

1607 [The prepared statement of Mr. Lubrano follows:]

1608 ***** INSERT 4 *****

|
1609 Mrs. {Bono Mack.} Thank you, Mr. Lubrano.
1610 Mr. Giffi, you are recognized for 5 minutes.

|
1611 ^STATEMENT OF CRAIG A. GIFFI

1612 } Mr. {Giffi.} Good afternoon, Chairwoman Bono Mack and
1613 members of the subcommittee. Thank you for inviting me to
1614 testify this afternoon. The work of this committee and your
1615 leadership to help bolster U.S. manufacturing competitiveness
1616 is essential to this country and well appreciated.

1617 For the past several years, Deloitte has had the
1618 privilege of working in collaboration with the World Economic
1619 Forum, the U.S. Council on Competitiveness, and the
1620 Manufacturing Institute to better understand the capabilities
1621 necessary to drive superior manufacturing competitiveness.
1622 Deloitte and the Manufacturing Institute have conducted a
1623 national survey of the American public annually for the past
1624 3 years.

1625 The results indicate that Americans remain steadfast in
1626 their commitment to creating a strong, healthy, globally
1627 competitive manufacturing sector in the United States. The
1628 most recent survey of Americans reveals that 85 percent
1629 believe that the manufacturing sector is very important to
1630 our standard of living. Asked how they would prefer to
1631 create 1,000 new jobs in their communities with any new
1632 business facility, Americans indicated that they wanted those

1633 jobs to be in the manufacturing sector more so than any other
1634 industry choice.

1635 As part of our work with the World Economic Forum on
1636 their Future of Manufacturing Project, we uncovered
1637 compelling research from the Harvard Kennedy School and the
1638 MIT Media Lab, which indicates that the advancement of
1639 manufacturing capabilities is directly linked to a nation's
1640 economic prosperity, and importantly, to the prosperity of
1641 its middle class. This research also indicates that the
1642 capabilities of a nation's manufacturing sector is the best
1643 predictor of economic growth and prosperity for a nation over
1644 the long-term. It shows that the more advanced the products
1645 are that a nation can make and trade and the more advanced
1646 the manufacturing capabilities it possesses, the greater the
1647 prosperity.

1648 Finally, the research suggests that a great competition
1649 is underway between most nations for the benefits that their
1650 citizens can derive from a vibrant manufacturing sector. And
1651 this competition is showing an increasing emphasis on
1652 advanced manufacturing capabilities and products.

1653 In a parallel effort, in collaboration with the U.S.
1654 Council on Competitiveness, Deloitte conducts a survey of
1655 CEOs at manufacturing organizations around the world to gain
1656 their perspective on the drivers of competitiveness, as well

1657 as their view of the relative ranking of nations in terms of
1658 competitiveness.

1659 In addition, we conducted a series of one-on-one
1660 interviews on behalf of the Council with CEOs, labor union
1661 leaders, university presidents, and the directors of some of
1662 America's national laboratories over the past 18 months.
1663 Many of the leaders participating in those interviews
1664 describe the critical relationship between manufacturing and
1665 innovation in an ecosystem that extends to include community
1666 colleges, universities, national laboratories, and the
1667 private and public sectors, and they refuted any notion that
1668 America can maintain its competitive advantage in research
1669 and scientific discovery over the long run without also
1670 maintaining strong capabilities in manufacturing. They must
1671 go hand-in-hand.

1672 Not surprisingly, all of these participants identified
1673 talent-driven innovation as the key driver of a country's
1674 competitiveness while also noting the growing skills gap in
1675 America as one of the most concerning challenges affecting
1676 the U.S. According to a recent survey of U.S. manufacturers
1677 conducted by Deloitte and the Manufacturing Institute, 67
1678 percent of executives reported moderate to severe shortages
1679 of qualified workers for open positions translating into more
1680 than 600,000 available jobs that can't be filled today simply

1681 because employers can't find workers with the skills they
1682 need.

1683 America's ``secret sauce'' for success must lie in a
1684 workforce where, at all levels, it is equipped with the
1685 science, technology, and math backgrounds necessary to
1686 compete with the very best and the creativity and leadership
1687 to be solution pacesetters for the world.

1688 A common theme across all of this research, the
1689 Council's Ignite series of recommendations to policymakers
1690 from U.S. business leaders, university presidents, national
1691 laboratory leaders, and labor union leaders, the input from
1692 the American public in our Unwavering Commitment Report, or
1693 the perspectives on the future of manufacturing from our work
1694 with the World Economic Forum is that the U.S. needs a
1695 comprehensive competitiveness strategy for the 21st century.
1696 And we will need an effective public-private collaboration
1697 resulting in the United States being consistently recognized
1698 as the leader in workforce talent, in innovation, energy
1699 availability and cost, and in business climate. Actions that
1700 facilitate that collaboration across all the stakeholders
1701 will enable the U.S. to drive high-value job creation and
1702 economic prosperity for generations to come.

1703 Thank you for this opportunity. I look forward to
1704 addressing your questions.

1705 [The prepared statement of Mr. Giffi follows:]

1706 ***** INSERT 5 *****

|
1707 Mrs. {Bono Mack.} Thank you, Mr. Giffi.

1708 And Mr. Tindall, 5 minutes is your time.

|
1709 ^STATEMENT OF KENNETH R. TINDALL

1710 } Mr. {Tindall.} Good afternoon, Madam Chairman, members
1711 of the committee. Thank you for the invitation to share my
1712 experience at your hearing today.

1713 My answer to your question, ``Can American Manufacturing
1714 Thrive Again?'' is a strong yes. Let me explain. My
1715 organization, the North Carolina Biotechnology Center was
1716 mentioned in Congressman Butterfield's opening remarks. We
1717 are a state-funded nonprofit that works to create an
1718 environment conducive to innovation, company creation,
1719 recruitment, and growth resulting in biotech jobs.

1720 Critical to the biotechnology industry is
1721 biomanufacturing. These factories make some of our most
1722 advanced therapies and the handling is specialized. Process
1723 technicians may have associate's or bachelor's degrees.
1724 Engineers develop new processes and maintain the plants in
1725 virtually all of these facilities, employ individuals with
1726 varying education levels from certificate to Ph.D. These are
1727 great jobs. Salaries begin around \$30,000 for a high school
1728 graduate with some additional training and go on to top six
1729 figures. The average salary for all biotech jobs in North
1730 Carolina is more than \$75,000, approximately twice that of

1731 our private sector.

1732 So how did North Carolina create these jobs? As
1733 biotechnology was being developed some 40 years ago, North
1734 Carolina's economy revolved around tobacco, textiles, and
1735 furniture, industries in decline. In 1984, the North
1736 Carolina Biotechnology Center was created to support
1737 biotechnology research, business, and education across the
1738 State for long-term economic development.

1739 North Carolina has taken a consistent and systematic
1740 approach to biotech job creation. We fund researchers to
1741 develop ideas with commercial application, we help spin ideas
1742 out of universities, and we work with partners, notably the
1743 North Carolina community college system, public and private
1744 universities, and industry. Today, some 58,000 people work
1745 at about 500 North Carolina biotech companies. Of these, 18
1746 to 20,000 work in manufacturing. In addition, the State's
1747 biomanufacturing companies showed modest growth since 2002
1748 and are projecting 6.2 percent annual growth between 2011 and
1749 2014.

1750 To meet the growing workforce demands, the State
1751 established a sector-specific training consortium in 2006.
1752 This partnership, called NCBioimpact combines the resources
1753 of North Carolina's university and community college systems
1754 with industry expertise to form a unique academic industry

1755 and government collaborative. The practical impact is that
1756 multiple companies have located their biomanufacturing
1757 facilities in the State, at least in part because of the
1758 comprehensive training capabilities of the NCBioimpact
1759 partnership. Across the board, site managers from companies
1760 like Novartis, Merck, Biogenetic, and others are able to fill
1761 almost every entry-level vacancy from within North Carolina.

1762 Finally, how does North Carolina's challenge from the
1763 early 1980s reflect the challenge the United States faces
1764 today? First, we need a strong pipeline of products in order
1765 to increase manufacturing jobs. Second, training programs
1766 must produce workers who are job-ready day one. Third, we
1767 must recognize that other countries are beginning to affect
1768 our competitiveness in this sector.

1769 Increasing manufacturing jobs requires a culture of
1770 innovation. Quite simply, more ideas in the pipeline provide
1771 more chances for a product to be developed to a point of
1772 manufacture. Certainly, this concept holds true for biotech
1773 products but also can be applied to many of the new
1774 knowledge-based industries that will require advanced
1775 manufacturing to develop and produce new products for their
1776 industries.

1777 Second, these biomanufacturing jobs require a different
1778 skill set than the assembly line jobs created at the turn of

1779 the previous century. In North Carolina, our training
1780 programs work to complement one another and stay in sync with
1781 industry needs, but success in these jobs also requires
1782 strong STEM education as early as possible.

1783 Third, the competition and pressures for this industry
1784 are global. In North Carolina, one biotech job yields 4.6
1785 total jobs according to the Patel Institute. Everyone wants
1786 these high-impact jobs, and it is not just other U.S. States
1787 in competition for these jobs. Increasingly, all of our
1788 States are competing against a growing international
1789 contingent of biotechnology clusters.

1790 In summary, Madam Chairman, I believe manufacturing can
1791 thrive and continue to create jobs in the U.S. The
1792 infrastructure that supports these high-tech manufacturing
1793 centers lies in our education system and our capacity to
1794 innovate and develop new products, not just biotech products
1795 but products from new and emerging high-tech industries as
1796 well. Strengthening math and science education, linking
1797 workforce training programs with industry, and consistently
1798 supporting innovation will continue to improve the
1799 environment necessary for the creation and manufacture of
1800 specialized biotechnology and other technology-based products
1801 here in the U.S.

1802 Thank you, Madam Chairman and committee members for the

1803 opportunity to speak with you today. I am happy to answer
1804 questions.

1805 [The prepared statement of Mr. Tindall follows:]

1806 ***** INSERT 6 *****

|
1807 Mrs. {Bono Mack.} Thank you, Mr. Tindall. I now
1808 recognize myself for 5 minutes of questions. And I would
1809 like to start with Mr. Giffi, but I am going to open this
1810 question up to anybody on the panel.

1811 I believe that the people who are most hardest hit by
1812 the economic downturn right now are women in the workforce.
1813 There is no question that they are being hit the hardest.
1814 But I have also met a bunch of women who are now in
1815 manufacturing and they are very enthusiastic; they are
1816 optimistic. And I understand that you have done a study on
1817 women in manufacturing, Mr. Giffi, and I was wondering if you
1818 could share some of your information or your thoughts
1819 specifically about women in manufacturing.

1820 Mr. {Giffi.} Well, women in manufacturing represent an
1821 incredible talent source that, unfortunately, American
1822 manufacturers have inadequately tapped into thus far.
1823 American manufacturers are pursuing the best talent in the
1824 world and they are pressed to fill their job openings, they
1825 are pressed to fill their management ranks with outstanding
1826 talent.

1827 Unfortunately, today's education system, counseling
1828 approaches often result in women not pursuing careers in both
1829 science, technology, math, engineering degrees that are

1830 necessary, technical degrees that are necessary and often opt
1831 out of a potential career in manufacturing much earlier in
1832 their life than would be necessary. This results in
1833 manufacturers unfortunately not getting access to that
1834 incredible talent and workforce.

1835 And I think more can be done, more will be done to both
1836 encourage women in our primary and secondary schools and our
1837 universities to pursue the careers that can lead to a very
1838 productive career in manufacturing and contributions to this
1839 country. It would also help U.S. manufacturers solve one of
1840 their largest issues, which is getting enough talent into
1841 their organizations to drive their competitive capabilities.

1842 Mrs. {Bono Mack.} Thank you.

1843 Does anybody else care to comment specifically on women
1844 in manufacturing? Mr. Lubrano?

1845 Mr. {Lubrano.} Yes, I would agree with that. I think
1846 the problem is not that there aren't women in manufacturing,
1847 especially high-technology manufacturing. I think the
1848 problem is we can't find anybody with the backgrounds and
1849 technology expertise that we need. I think there would be
1850 absolutely no hesitation on hiring women if we could find
1851 qualified women to come into the company.

1852 Mrs. {Bono Mack.} Thank you. It seems to me the
1853 manufacturers I have met, the women are entrepreneurial and

1854 they are recognizing their opportunities there and they are
1855 bringing their own great ideas into the sector. So if nobody
1856 else cares to comment on that, I will move to Dr. Atkinson.

1857 You state that the country can restore its manufacturing
1858 competitiveness if we adopted the right set of policies in
1859 the tax, trade, talent, and technology arenas. Why do you
1860 believe the changes you suggest to these policies will
1861 restore our competitiveness? Have they been proven
1862 elsewhere?

1863 Mr. {Atkinson.} Well, I think they have. If you look
1864 at the change in real manufacturing output as a share of GDP,
1865 the worst four countries in the world are United States,
1866 Spain, Italy, and Great Britain. Spain and Italy we all know
1867 about having real serious problems now and Great Britain has
1868 had I think very serious problems. There are lots of
1869 countries that are high-wage countries that have not lost
1870 manufacturing. Sweden, for example, Germany, a number of
1871 other countries have actually been able to perform quite
1872 well. And many of those countries have taken all four of
1873 those steps. The overall tax rate in the non-U.S. OECD now
1874 is 10 percentage points lower than the United States.

1875 And these countries have put in place very high R&D tax
1876 credits. You look at a country like France, for example,
1877 where their research and development tax credit now is six

1878 times more generous than the U.S. credit. So they have put
1879 in place these kinds of incentives.

1880 A program that we are big fans of--or country I should
1881 say is Germany. They have really been able to get high value
1882 added, high-tech manufacturing, compete against the Chinese
1883 and there are a number of different reasons. But two of
1884 them, they have a great apprenticeship program. They take
1885 workers and they train them in partnership with colleges,
1886 community colleges, institutes, and companies. And the
1887 second is they have a wonderful system of what are called
1888 Fraunhofer Institutes. These are 59 centers that are
1889 cofounded 2/3 by industry and 1/3 by the government located
1890 at or near universities that work with, particularly, middle-
1891 sized companies like the kind of company Mr. Lubrano is with.
1892 And those have had success as well. So I think when you look
1893 at all of those factors together, high-wage countries can be
1894 successful.

1895 Mrs. {Bono Mack.} Thank you. Mr. Lubrano, you testify
1896 in support of trade agreements because we carried trade
1897 surpluses with the countries where we have trade agreements
1898 in place. Why do we have a trade surplus in manufactured
1899 goods with those countries?

1900 Mr. {Lubrano.} Why do we?

1901 Mrs. {Bono Mack.} Yes.

1902 Mr. {Lubrano.} We would have those trade surpluses in
1903 areas where were primarily technology-driven. Basically,
1904 what has kept our company surviving and competitive in places
1905 is the intellectual property we have and the technology we
1906 have. We are doing things today with materials, for example,
1907 the hard drive industry that 2 or 3 years ago were considered
1908 impossible. We have gotten completely out of the box, broken
1909 the box, and are doing things with metals, plating
1910 technology, process technologies that 3 years ago people
1911 would say you can't do that, including a lot of products now
1912 for storage, lithium ion, hybrid batteries for automobiles,
1913 developed a new material system that is patented. So
1914 intellectual property, as you have heard before, is a huge
1915 driver that gets us to those surpluses.

1916 Mrs. {Bono Mack.} Thank you. I agree with you on that
1917 point. And now my time is expired so I recognize Mr.
1918 Sarbanes for 5 minutes.

1919 Mr. {Sarbanes.} I thank you, Madam Chair.

1920 I was looking at these reports. We got a bunch of these
1921 reports here on the U.S. Manufacturing Competitiveness
1922 Initiative. So there was one from CEOs, there was another
1923 one from labor, there was a third, and I was looking at some
1924 of the recommendations that were included. The one from the
1925 CEOs optimistically says that they conveyed an opinion

1926 overall that U.S. had the resources, capabilities, and will
1927 to be the most competitive manufacturing nation in the world
1928 in the 21st century, given a new approach to setting public
1929 policy.

1930 And then what I found interesting is the first
1931 recommendation here or the first principle from the CEOs was
1932 policymakers should strive considerably less to create a
1933 single, specific, concrete industrial policy for the future
1934 of U.S. manufacturing and instead seek to develop achievable
1935 goals, et cetera, et cetera. And then I was looking at the
1936 one from labor and their first recommendation on developing
1937 U.S. manufacturing strategy was to form a council on
1938 manufacturing policy to lead the development of a U.S.
1939 manufacturing strategy to construct a dialogue between
1940 management, labor, educators, and policymakers, and so forth.

1941 So I wondered if anyone who wants to could just comment
1942 on whether there is tension there in terms of whether we
1943 should really set a focused strategy and policy on U.S.
1944 manufacturing and have real structure to that over time, or
1945 whether we should, as this other report said, strive
1946 considerably less to create a single, specific, concrete
1947 industrial policy for the future of U.S. manufacturing? We
1948 could go down the line if you want. Mr. Atkinson?

1949 Mr. {Atkinson.} I think it is very dangerous to have a

1950 policy here without a real coherent strategy. And the word
1951 industrial policy has largely been given a bad name.
1952 Whatever you want to call it, if we don't have a coherent
1953 strategy--and we can't just rely on sort of expecting
1954 companies to do the right thing just leaving them alone.

1955 One important reason, by the way, there is a skill
1956 shortage right now that everybody talks about and companies
1957 complain about a skill shortage it is because companies
1958 themselves are investing half in training their workers than
1959 they did a decade ago, investing half. So when you are
1960 investing half in training your workers, you are going to end
1961 up with a skill shortage. So I think the real challenge here
1962 is we need to form real public-private partnerships and form
1963 a national industrial strategy. And that will clearly
1964 include things, if you will, from both sides of the aisle.
1965 It has to include regulatory issues, it has to include tax
1966 issues, but it has to include real strategy about technology
1967 areas that we think we could be successful in, about how we
1968 are going to reorganize our workforce system and other things
1969 like that.

1970 Mr. {Lubrano.} Yeah, I don't think what you mentioned,
1971 any of those things are mutually exclusive. I think the game
1972 has changed and what is needed is a partnership if you will
1973 between government, labor, and manufacturing and the

1974 management of the manufacturing companies. 2009 was probably
1975 the toughest year of my career and I have been doing this for
1976 about 40 years now. You are supposed to say I don't look it,
1977 but in any case, the cooperation with our labor force, our
1978 ability to move people around, the understanding from all
1979 sides about how important it was that we get through this
1980 thing together and the government help.

1981 I will give you an example. Rhode Island has a work
1982 share program, so we took all the resources we had and all
1983 the cooperation we could get, government, management,
1984 employees to get through that period. And we did. A lot of
1985 companies didn't. But I think that is the kind of thing we
1986 are looking for going forward. So I don't see any of those
1987 things you mentioned in that report as mutually exclusive.

1988 Mr. {Giffi.} Congressman, I was actually fortunate
1989 enough to do all of those interviews and benefitted from
1990 being able to have those conversations with those CEOs, those
1991 labor leaders, university presidents, and lab leaders. I
1992 think they very much believe that the United States needs to
1993 come up with a comprehensive strategy. Collectively, I think
1994 they believe that industrial policy--because it has a fairly
1995 bad reputation and the notion of picking winners and losers
1996 on a regular basis through government policy actions--is not
1997 something that they believe makes sense. But creating a

1998 broad strategy that has tenets under it that allow American
1999 businesses to be most competitive on the global stage and
2000 creates a business climate that creates jobs, they were very
2001 much in agreement on.

2002 Mr. {Sarbanes.} Maybe we can come back on a second.

2003 Mrs. {Bono Mack.} All right. The chair now recognizes
2004 Ms. Blackburn for her questions.

2005 Mrs. {Blackburn.} Thank you, Madam Chairman. And thank
2006 you to each of you. As you can hear the bells, we have got
2007 votes so we are going to do this quickly.

2008 I am just going to give each of you a question that I
2009 would like to hear from you on. You can submit it in writing
2010 because I know Mr. Cassidy, we want to get his questions in
2011 before we leave.

2012 But we have talked about competitiveness, we have talked
2013 about information technology, and Mr. Lubrano, you just
2014 touched on that a little bit also. And what I would like to
2015 know is from each of you is, number one, when you look at
2016 that bottom line--and as you have said, you have had some
2017 tough years and we are learning to do things differently in
2018 our U.S. manufacturing base. When you look at your
2019 efficiencies, what percentage of your profit are you
2020 attributing to the use of new information technologies?

2021 And then secondly, as we look at spectrum--and of course

2022 we are trying to get more spectrum auctioned so that you can
2023 use more of these technologies--how important is it to you to
2024 have more spectrum available for use of these new
2025 technologies in the marketplace?

2026 And I will yield back my time so that Mr. Cassidy can
2027 answer and you all can respond to me in writing. But thank
2028 you again for your participation with us.

2029 Mrs. {Bono Mack.} Thank you. To clarify, the
2030 gentlelady is only asking for responses in writing.

2031 Okay. So I will recognize Dr. Cassidy now for his 5
2032 minutes and again recognize we are crunched for time.

2033 Dr. {Cassidy.} You all give me the hook when we got to
2034 get there, okay? I am used to women telling me what to do.

2035 So to whoever feels most qualified, I am struck again as
2036 you heard in my previous questioning how natural gas and
2037 domestic oil and gas has, from everything I have read,
2038 contributed greatly to lowering input cost and otherwise
2039 improving the robustness of our manufacturing, if you will,
2040 directly contributing to tens of thousands of manufacturing
2041 jobs. Now, the President almost demagogues the issues--I
2042 hate to say that--because he continues to suggest that we can
2043 replace that sort of energy with what he calls renewables and
2044 not have a downside.

2045 Now, let me just give some statistics that we pulled up

2046 from the Energy Institute, that the federal electric
2047 subsidies per unit of production in 2000 \$10 per megawatt
2048 hour, for natural gas is 64 cents, for nuclear is \$3.14, and
2049 for solar is \$776 per megawatt hour. Now, this to me is
2050 laughable to think that if your input cost is based upon
2051 something which has to be subsidized at \$776 per megawatt
2052 hour that you can have the same sort of robust expansion of
2053 manufacturing in energy-intensive enterprises that we are
2054 currently having now.

2055 Gentlemen, would you all challenge that? Would you
2056 agree with that? What comments would you make?

2057 Mr. {Lubrano.} I would agree with you. Energy, as you
2058 know, manufacturers use about 1/3 of the energy produced in
2059 this country. In our manufacturing in particular we use
2060 natural gas and electricity to a very large extent because we
2061 have to process metal and then yield the metal and it is
2062 critical to our process. We need a comprehensive energy
2063 strategy which includes oil, gas, coal, and you can throw in
2064 some of the others, solar, wind power. But most of the--

2065 Dr. {Cassidy.} But unless that solar was subsidized, I
2066 presume you would not be able to afford to use it?

2067 Mr. {Lubrano.} We would not be able to afford it.

2068 Dr. {Cassidy.} So unless the taxpayer is willing to
2069 throw his or her money on the table, then frankly, the input

2070 cost would be way too high?

2071 Mr. {Lubrano.} The input cost would be way too high.

2072 If we had to pay that, we would be less competitive and there
2073 would be less jobs.

2074 Dr. {Cassidy.} So we are trying to pick ourselves up by
2075 the bootstraps if you will, taxing ourselves to subsidize it
2076 so that you can use it at an affordable cost?

2077 Mr. {Lubrano.} Well, I think that is a bad idea. I
2078 think what we need to do is develop what we have. I would
2079 like to see the XL pipeline. That is critical. I would like
2080 to see more development of natural gas through--

2081 Dr. {Cassidy.} Now, let me cut you off just because
2082 again I am about to get the hook. I heard an energy analyst
2083 tell me recently that the direct--in fact, maybe the
2084 Pricewaterhouse or another thing--that the low cost of
2085 natural gas may increase our GDP by 1.1 percent in 2013,
2086 which is really quite remarkable.

2087 Mr. {Lubrano.} That is an increase of GDP.

2088 Dr. {Cassidy.} Increase our GDP.

2089 Mr. {Lubrano.} Yes.

2090 Dr. {Cassidy.} Do you all agree with that?

2091 Mr. {Lubrano.} I would agree with that, absolutely.

2092 Dr. {Cassidy.} Well, I think we need to go. Thank you
2093 all very much. I have more to ask but we are obviously

2094 hurried. Thank you all.

2095 Mr. {Lubrano.} Thank you.

2096 Mrs. {Bono Mack.} I thank the gentleman. I apologize
2097 that our time is so short today. I think we have squeezed a
2098 lot of terrific information in between the series of votes.
2099 And I would clearly like to thank our distinguished panel.
2100 It has been a great discussion about the future of
2101 manufacturing in America.

2102 Clearly, more and more companies are beginning to
2103 rethink their strategies and business plans for the coming
2104 years, and I sincerely hope that our subcommittee, working
2105 closely together, can give them a reason to make ``Made in
2106 America'' matter again.

2107 I ask unanimous consent to include in the record of the
2108 hearing four reports published by Mr. Giffi's firm on various
2109 aspects of manufacturing to which he had referred to in his
2110 testimony.

2111 [The information follows:]

2112 ***** COMMITTEE INSERT *****

|
2113 Mrs. {Bono Mack.} I remind Members that they have 10
2114 business days to submit questions for the record, and I ask
2115 the witnesses to please respond promptly to any questions
2116 they receive. And with that, the hearing is now adjourned.

2117 Thank you, gentlemen.

2118 [Whereupon, at 1:05 p.m., the Subcommittee was
2119 adjourned.]