

THE MANUFACTURING COUNCIL

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

Thursday,  
April 7, 2011

The meeting was convened, pursuant to notice,  
at 9:32 a.m., MR. BRUCE SOHN, Chairman, presiding.

APPEARANCES:

MEMBERS OF THE COUNCIL:

MR. BRUCE SOHN, Chairman, MFC  
First Solar, Inc.

MR. JOSEPH B. ANDERSON, JR., Vice-Chair, MFC  
Chairman and CEO  
TAG Holdings, LLC

MR. FRED KELLER  
Cascade Engineering

MS. KELLIE JOHNSON  
ACE Clearwater Enterprises

MR. JAMES B. MCGREGOR  
Morgal Machine Tool and  
Ohio Stamping and Machine

MR. JASON W. SPEER  
Quality Float Works, Inc.

MS. CHANDRA BROWN  
President  
United Streetcar  
Vice President  
Oregon Iron Works, Inc.

MR. AL FULLER  
Chief Executive Officer  
Integrated Packaging Corporation

MS. MARY ISBISTER  
President  
GenMet

MR. SAMUEL LANDOL  
Chief Operating Officer  
Sealaska Corporation

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

MR. DAVID MELTON  
President and CEO  
Sacred Power Corporation

MS. JANE L. WARNER  
Executive Vice President  
Illinois Tool Works

MR. LUIS ARGUELLO  
President  
DemeTech

MR. GREG BACHMANN  
President & CEO  
Dymax Corporation

ALSO PRESENT:

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

MR. DON GRAVES  
Deputy Assistant Secretary for  
Manufacturing Services  
U.S. Department of Commerce

MR. ROGER KILMER  
Director  
Manufacturing Extension Partnership

MR. CRAIG ALLEN  
Deputy Assistant Secretary for Asia  
International Trade Administration

MR. PETER KALDES  
Senior Trade Advisor & Director  
Office of Legislative and Intergovernmental  
Affairs  
International Trade Administration

MR. PETER WEEKS  
Clean Energy Advisor  
U.S. Department of Energy

DR. WILLIAM SPRIGGS  
Assistant Secretary for Policy  
U.S. Department of Labor

MS. JENNIFER PILAT

MR. MICHAEL MASSERMAN

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P R O C E E D I N G S

OPENING REMARKS AND INTRODUCTIONS

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4 CHAIRMAN SOHN: All right. So I call the  
5 meeting to order.

6 We've got a very busy agenda today. I want to  
7 welcome everyone. I think past meetings have been very  
8 productive and we've had very helpful discussion in  
9 moving forward our agenda on manufacturing, and I'm  
10 looking forward to this particular one where we've got  
11 some very important topics we've made progress on, and  
12 look forward to the discussion.

13 In the agenda today, Nicole, we've got you've  
14 speaking. Don, we'll have you talk after Nicole. Then  
15 we're going to go through the individual committees, so  
16 Competitiveness has a specific letter that we're going  
17 to be delivering today. There's a few other supporting  
18 discussions. The Export-Import discussion, Workforce  
19 Development, and Energy will follow thereafter.  
20 Hopefully we'll get through all of these things in a  
21 timely manner so that we can end on schedule.

22 Just a couple of quick introductory remarks  
23 from my perspective. I think all of the Council and  
24 everybody in this room knows the real importance of  
25 having manufacturing as a foundation to a robust and

1 sustainable economy. We see it as serving as an  
2 economic engine with a real multiplier effect on jobs  
3 and ensures a steady momentum when it comes to  
4 maintaining the economy over a long period of time.

5 Business leaders know that a strong company  
6 focuses on business growth, not just on cost cutting,  
7 if they're trying to develop their business.  
8 Similarly, government should focus on those things that  
9 drive economic vitality. Leaders of other countries  
10 are well aware of the value of having manufacturing as  
11 its base and manufacturing is a part of pretty much any  
12 discussion that any of us have when we travel to these  
13 other countries. They create clear policies, they have  
14 long-term strategies, and have vision around  
15 manufacturing, and they negotiate in ways to actually  
16 attract more manufacturing into their regions.

17 The real question that we always have when we  
18 talk amongst ourselves is, what does it really take for  
19 an American CEO to site her new factory in America  
20 rather than one of these other places on the other side  
21 of the world? That is the kind of thing we talk about  
22 day in and day out, and I think we'll get into more up  
23 here.

24 So with that, I'd like to turn it over to you  
25 today.



1 to advocate, we believe, for U.S. manufacturers in the  
2 21st century in China than Secretary Locke.

3 I also wanted to bring you greetings from  
4 Under Secretary Francisco Sanchez. He is leading a  
5 trade mission and he's probably trying to figure out if  
6 he has to come back, if there's a government shutdown,  
7 right away. But we'll see. He's in Hanoi, Vietnam  
8 with 56 representatives from U.S. colleges and  
9 universities on the fifth day of what is the largest  
10 education delegation in the Department's history. He  
11 will also, assuming that he can, take the mission to  
12 Jakarta, Ho Chi Min City and Hanoi, and he'll explore  
13 opportunities for international student recruitment and  
14 partnerships with higher education and institutions  
15 there.

16 As for me, I'm grateful that you took the time  
17 to be here today and that I have the opportunity once  
18 again to speak with you and to hear about the work that  
19 the Council has been doing since we met in Ohio. I'd  
20 like to thank Don Graves, Bill Spriggs, Henry Kelly,  
21 and Roger Kilmer for making the time to be here as  
22 well. I think it's been a nice addition to the Council  
23 to have representatives from other departments to  
24 participate as well to work on the issues that you're  
25 addressing. So it'll be really nice to have everyone

1 update each other on what the various committees have  
2 been doing, the inputs that the other departments who  
3 are ex officio members can provide.

4 Two years after the worst recession we've  
5 experienced, our economy is growing and showing real  
6 signs of strength. For the fourth month in a row, the  
7 unemployment rate has dropped. It was 8.8 percent in  
8 March. March's employment report also shows that the  
9 private sector added 230,000 jobs in sectors ranging  
10 from manufacturing to education and construction, and  
11 this marks 13 consecutive months of private employment  
12 growth, adding a total of 1.8 million private sector  
13 jobs, 17,000 of which were in manufacturing.

14 These numbers are certainly going in the right  
15 direction, but we're not satisfied and we look forward  
16 to working with you to do whatever we can to increase  
17 those job numbers and further strengthen our economy.  
18 I know that you received a briefing from Praveen Dixit  
19 and his team on Tuesday about what is specifically  
20 happening in the manufacturing sector, so I won't go  
21 into that on those issues. We will send you the slides  
22 that he used. I know there was a request for those.  
23 And please let us know if this is the type of analysis  
24 that can help you and your businesses, because we're  
25 always looking for ways to serve you better through the

1 work that we're doing.

2 Here at Commerce, we continue to work very  
3 closely with the White House on issues that matter to  
4 manufacturers. I know that you met with Ron Bloom this  
5 morning. We continue to have a close relationship with  
6 him. Like trade agreements, a comprehensive energy  
7 policy and ways to prepare and produce an educated  
8 workforce are solutions that we really need to focus on  
9 to help meet the challenges we believe that businesses  
10 face.

11 Yesterday, as I discussed at the reception,  
12 the White House announced its plan for a way forward  
13 with the U.S.-Colombia Trade Agreement. The President,  
14 as I mentioned, has made clear that he wanted to see  
15 Colombia address serious labor concerns before he would  
16 move the FTA forward to Congress, and I'm pleased to  
17 report that the administration has secured significant  
18 commitments from the Government of Colombia to address  
19 these concerns.

20 Moving forward on this agreement is an  
21 important step to take now that our concerns are being  
22 addressed in a way that is consistent with our values  
23 and that levels the playing field for American workers.

24 As you may know, Colombia is the third largest economy  
25 in Central and South America, and one of the most

1 important strategic partners in the region. By  
2 reducing barriers to U.S. exports, the agreement will  
3 create new opportunities for our businesses, our  
4 workers, farmers, and ranchers, and thereby support  
5 more and better jobs for Americans.

6 It will also help us in the achievement of the  
7 NEI by opening Colombia's market to products made in  
8 America and keeping U.S. exporters competitive as  
9 Colombia negotiates trade agreements with the European  
10 Union, Canada, and other partners. Manufacturing &  
11 Services and Commerce will continue its important work  
12 with USTR to make sure that businesses are considered  
13 in the implementation of this agreement.

14 I wanted to share with you an exciting project  
15 that we've been working on that will be online very  
16 shortly that is designed to help American businesses  
17 try to take advantage of free trade agreements.  
18 Praveen Dixit's team has put together an FTA  
19 Negotiations Results database, and what it will do is  
20 combine tariff and trade data into a simple and easy-  
21 to-search public interface. I've actually seen it. It  
22 is fabulous. It will save you so much time, it's  
23 amazing.

24 Using the database, users will be able to see  
25 how the U.S. and FTA partner tariffs on individual

1 products are treated under each agreement and they're  
2 searchable by word and tariff code. So, it's very  
3 exciting. Before when you had to go through all the  
4 books, you had to hire consultants in other countries  
5 to figure it out.

6           You'll be able to do this through a public  
7 interface and you'll be able to see current tariff and  
8 future tariffs apply to products, as well as the dates  
9 on which those products become duty-free. By combining  
10 sector and product groups, trade data, and tariff  
11 elimination schedules, users will also be able to  
12 analyze how various key sectors are treated under  
13 recently concluded FTAs.

14           The database will also allow users to easily  
15 identify the share of trade or tariff lines that fall  
16 within various tariff elimination baskets, and you'll  
17 be able to compare how particular sectors were treated  
18 across various free trade agreements. The development  
19 of the project will be ongoing, and future trade  
20 agreements, including, hopefully, KORUS and Colombia  
21 and Panama, will be added and the trade data will be  
22 updated annually. So, I think it will be a great tool  
23 for businesses.

24           I just wanted to speak briefly about energy  
25 policy. Just last week, the President gave a speech

1 outlining the blueprint for the 21st century Clean  
2 Energy Economy. You know that the plan is beneficial  
3 not only for our environment, but also for our economy  
4 and our ability to win the future.

5 As the economy and our industries continue to  
6 recover, we must keep the momentum of strengthening our  
7 economy going and transition to a clean energy economy  
8 that will create jobs, keep America competitive, and  
9 reduce our vulnerability to an ever-fluctuating oil  
10 market. I know that my colleagues from the Department  
11 of Energy will comment more on this and the great work  
12 that the Energy Subcommittee has done thus far.

13 The revitalization of manufacturing and export  
14 expansion are matters of national urgency, we believe,  
15 and we believe that we have the potential to remake our  
16 economy if we had a better future for our children. We  
17 stand ready to work with you to rebuild American  
18 manufacturing in the 21st century to increase exports  
19 and create jobs. Innovation, technology and  
20 productivity will continue to drive American  
21 manufacturing, and that is exactly why the United  
22 States will, in the words of President Obama, lead the  
23 future.

24 I know you have a packed agenda, so I look  
25 forward to listening to all the work of the

1 subcommittees, and I'd like to turn it back over to  
2 Bruce.

3 CHAIRMAN SOHN: Great. I appreciate that very  
4 much for your inputs and comments. Thank you for that.

5 Don?  
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1                   U.S. DEPARTMENT OF TREASURY UPDATE

2                   Don Graves, Deputy Assistant Secretary for  
3                   Small Business, Community Development,  
4                   and Executive Director, President's Council  
5                   on Jobs and Competitiveness

6  
7                   DEPUTY ASSISTANT SECRETARY GRAVES: Well, good  
8 morning, everyone. It's good to be here with you  
9 today, as I think will be my last meeting with you  
10 wearing my ex officio hat on behalf of the Department  
11 of Treasury as I transition from my position as Deputy  
12 Assistant Secretary to my new position as Executive  
13 Director of the President's Council on Jobs and  
14 Competitiveness. So, it's good to be here wearing both  
15 hats today. I'm sorry that I'll be leaving the old  
16 hat, but I'm excited that I'll be able to work with you  
17 going forward with our new Council.

18                   As Nicole mentioned, we've seen significant  
19 progress--I think you all are beginning to feel the  
20 progress--in terms of the rehabilitation and strength  
21 of the economy. We've stabilized, but it's time to  
22 really begin to build off of that stability and begin  
23 to see the type of growth that I think all of us would  
24 like going forward. We know that Nicole mentioned the  
25 jobs numbers, the unemployment numbers that we saw this

1 morning. Unemployment claims were down by 10,000,  
2 which I thin pretty much beat most of the market's  
3 expectations. But while there's that growth that we're  
4 experiencing around the country, there's still a great  
5 deal of work that we have to do.

6 None of us within the administration, whether  
7 it's here at Commerce, at Labor, at the White House, at  
8 Treasury, none of us would be satisfied until we are  
9 able to ensure that every American who wants to find a  
10 job can actually find work. But what that really means  
11 is that we have to help you all succeed in expanding  
12 and growing your businesses so you can actually employ  
13 all those Americans out there who are looking for jobs.

14 We know that in order to create those jobs we  
15 are engaged in a contest. I know the President has  
16 talked about this in the past. The Secretary has  
17 talked about this. It's not a contest between  
18 Democrats and Republicans, despite the negotiations  
19 that are going on as we speak over the budget. It's a  
20 contest with competitors across the globe. It's a  
21 contest for jobs and industries, it's a contest to see  
22 who will need manufacturing for the next century.

23 As Nicole and the President have said, it's  
24 about winning the future. So we have to out-  
25 innovative, we have to out-educate, we have to out-

1 build the rest of the world. We have to out-produce  
2 the rest of the world. It's tapping into the  
3 creativity, the imagination, and the ingenuity of all  
4 of you that will be critical to succeeding going  
5 forward.

6 That is the exact reason for the creation of  
7 the Council on Jobs and Competitiveness by the  
8 President. It's really meant to help focus on ways  
9 that the government can work together with businesses  
10 and with American employees. Now, I know there are a  
11 lot of questions about the Jobs Council and how it  
12 interacts with The Manufacturing Council, with the  
13 National Advisory Council on Innovation and  
14 Entrepreneurship, the Start-Up America program.  
15 There's a number of these efforts around the  
16 administration.

17 The Jobs Council was created to really amplify  
18 the work that you all are doing. We're not here to try  
19 and take over the work that you're doing. In fact, I  
20 think that your laser-like focus on manufacturing is  
21 crucial to the work of the administration, the work of  
22 the Council, on the success of business going forward.

23 The Jobs Council was created to solicit ideas  
24 from around the country on how to bolster the economy,  
25 on how to promote prosperity. It was created to report

1 directly to the President on the design,  
2 implementation, evaluation of a wide range of policies  
3 that will promote growth.

4           So what we are doing with the Jobs  
5 Council is really trying to help take the ideas that  
6 you are identifying, the programs, the policy changes  
7 that you decide are important, and make sure that the  
8 President hears it not just from you, but hears it from  
9 the Jobs Council and that the American people also hear  
10 it. So we really meant to be a microphone, a  
11 speakerphone, a megaphone for you so that you can get  
12 your message out to every part of the administration,  
13 and also out to folks around the country.

14           The way that I look at this, and I know that  
15 Karen Mills at SBA has her three Cs that she talks  
16 about. I have 3 Cs that are important, I think, for  
17 the success of business going forward. That's  
18 Consistency, Clarity, and Certainty. If you have all  
19 three of those things, then the American economy will  
20 out-compete every other economy across the globe.

21           The way that breaks down is to political  
22 stability. Obviously this country has the political  
23 stability that no other country has. We have, clearly,  
24 a longstanding history of stability. We also have a  
25 rule of law that is incomparable. Folks whoa re trying

1 to do business, I'm sure many of you outside of the  
2 country are always worried about how laws will be  
3 applied, the consistency with which they'll be applied  
4 to your company versus other companies. So I think the  
5 rule of law gives us that foundation that other  
6 countries don't necessarily have.

7           There are other issues, though, that you all  
8 have raised. I know it's part of your recommendations  
9 and it's part of what you're going to be talking about  
10 today, things like tax rates. Obviously the way the  
11 tax system applies to your companies could be an  
12 advantage or a disadvantage as compared to other  
13 countries. That is something that the Jobs Council is  
14 very focused on. I know that we'll be spending some  
15 time looking at comprehensive tax reform set of ideas.

16           I know that Secretary Geithner has talked  
17 about that, the President has talked about that.  
18 Clearly, I'm sure some of you have seen in the news  
19 that Jeff Immelt, the Chairman of the Jobs Council, has  
20 spent a little bit of time the last week or so talking  
21 about tax issues. That's something that we are firmly  
22 committed to exploring and trying to find ways to make  
23 the tax system work better for American business and  
24 for manufacturing specifically.

25           Labor costs. Obviously that's another set of

1 issues that you all are worried about. I think we've  
2 begun to see that labor costs are not as big an issue  
3 as they once were. Dr. Spriggs probably can speak to  
4 it much more than I can. But clearly that's an issue  
5 for you. That's not something that we will necessarily  
6 spend a lot of time on, though with Rich Trumpka from  
7 AFL-CIO, Joe Hanson also on the Jobs Council, you can  
8 guarantee that finding ways that we can identify and  
9 promote best practices between business and labor is  
10 going to be a critical thing that comes out of the Jobs  
11 Council.

12           Reliable infrastructure. Now, you all know  
13 that that's something that is important to you. It's  
14 the ability to move goods and products, it's the  
15 ability to get services, it's the ability -- and I look  
16 at infrastructure as not just our highways and our  
17 rails and the backbone of our wireless sector, it's  
18 also our educational system. I really think of that as  
19 part of our infrastructure.

20           So it's thinking about ways that we make  
21 certain that we are in a position as a country to  
22 provide the right type of support mechanisms for the  
23 competitiveness of business, making sure that you have  
24 the ability to move your goods and services, the  
25 ability to get the right type of educated, skilled

1 workforce to do the work that you need to do going  
2 forward.

3           So those are the things that I think are  
4 critical to the ability of this country to provide the  
5 consistency, the clarity, and the certainty to you all  
6 to be able to do your business. Getting to the things  
7 that we're going to be specifically looking at with the  
8 Council, we are still in the formation phase a bit.  
9 We're beginning to identify those things that we're  
10 going to tackle first and foremost. We've broken  
11 ourselves up into a handful of working groups that are  
12 going to look at issues, and we'd like to have those  
13 working groups work directly with your subcommittees.  
14 Job creation through innovation.

15           It's looking at energy efficiency, it's  
16 looking at things like commercial energy retrofits at  
17 facilities all across the country, it's finding ways to  
18 help clean energy, but also find ways to save you all  
19 money so that you can do your business better.  
20 Infrastructure investment. I talked about making sure  
21 that we have the infrastructure system that will make a  
22 difference between location a facility here and  
23 locating a facility offshore.

24           Regulatory issues. That's something that we  
25 hear every day of the week and every minute of the day,

1 that regulatory issues are constraining your ability to  
2 invest in this country and your ability to out-compete  
3 other countries. We are working closely with Cass  
4 Sunstein at OIRA. As you know, the President signed an  
5 executive order late last year focusing on ways that we  
6 can reduce barriers through our regulatory policies so  
7 that business can succeed. So we'll be spending a lot  
8 of time on that front.

9 High-tech education. You know, I talked about  
10 education and I talked about the workforce of the  
11 future. One of the things that we are going to spend a  
12 good bit of time on, at least within the first 90 days,  
13 is around the ability of our schools to provide the  
14 engineers that meet the needs of companies all across  
15 the country. We've heard over and over again that we  
16 don't have the workforce coming out of our schools that  
17 can do engineering, that can provide the computer  
18 scientists, and so on. So I think that we're going to  
19 spend a lot of time working with you all, working with  
20 Skills for America's Future, with Change the Equation,  
21 to make sure that we have that workforce.

22 The final thing that I'll say is that what the  
23 Council is going to be doing is, in addition to its  
24 quarterly meetings with the President, we're having  
25 regional meetings all across the country. We want to

1 meet with businesses, with you all, have joint meetings  
2 to talk about specific sets of issues.

3           The first two meetings that we're going to be  
4 having are going to focus on small business and ways  
5 that we can support the supply chain, enhance what the  
6 big companies are doing to get to smaller companies all  
7 across the country. We'll also have a meeting on trade  
8 and exports. I think the trade agreements will be a  
9 significant part of that discussion. We'll also have a  
10 wide range of other regional meetings. I'm sure  
11 manufacturing -- it's a cost-cutting issue for all of  
12 the things that we do, so we look forward to working  
13 with you, Bruce, and the rest of the Council to have  
14 those meetings, and we're excited about the work that  
15 we can do together.

16           CHAIRMAN SOHN: We appreciate that, Don. This  
17 Council looks forward to collaborating with the  
18 President's Council as well. I know that if we work  
19 well together, that we're going to be much more  
20 effective.

21

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24

25



1 one or two, and got to draft one, and more committee  
2 meetings and got to draft two. We had a session where  
3 we took in the input from all of the Council members,  
4 and as recent as yesterday we were still taking, and  
5 until 10:00 today, we'll take more input and come out  
6 with hopefully the final iteration.

7 The Chairman has challenged us to--he called  
8 it a tight agenda--about 20 minutes or so. But I think  
9 given the warm-up that we had with Ron Bloom where we  
10 talked a little bit about it, I think that will be of  
11 help in moving this forward.

12 Clearly, no single resolution, particularly  
13 one that we tried to fit into a three-page letter, is  
14 going to suffice in getting at all of the issues  
15 related to competitiveness. It's a very complex theme.  
16 Even some of the suggestions that we make may be deemed  
17 to be very, very much on the surface, but we think that  
18 they are to the point.

19 Basically, the recommendations which the  
20 committee has made are centered around the three  
21 pillars that we talked about earlier this morning,  
22 which is on taxation, regulation, and innovation. Just  
23 one final point to the introduction is that, clearly,  
24 our work will not end here. I think our work begins  
25 here.

1           I think Jane Warner said it best in her  
2 inquiry to Ron in terms of the missing strategy  
3 formulation where we think we have been at a  
4 disadvantage because we know that countries like China  
5 work collectively in developing that strategy. I think  
6 we have begun to do that, certainly since I've been a  
7 part of this Manufacturing Council. With the added  
8 elements that are coming in from the administration  
9 point of view, I think we have a strong opportunity in  
10 the of that strategy.

11           Having said that, we have the letter in front  
12 of us and we have the body of the more in-depth  
13 recommendations. There were some recent changes made  
14 to the letter as of yesterday, and there is at least  
15 one other edit which we will be making.

16           I'd like to point out that Jeff Daffler, who  
17 is from the Timken Company, has been in very strong  
18 cooperation with the Council and he's been tracking the  
19 changes and will track them today. So I don't think  
20 the Council could have done its work without his  
21 support, and he's here with us today to assure that we  
22 capture those last changes.

23           One of the changes which we know still need to  
24 be made, I'll go over in a second. But one of the  
25 changes which we did make yesterday is in the first

1 paragraph of the letter. You have the clean copy in  
2 front of you, but that last sentence in terms of our  
3 goal should be "to increase manufacturing as a  
4 percentage of America's Gross Domestic Product, and the  
5 Council proposes the following recommendations as the  
6 first steps toward that goal." That sentence, with an  
7 addition that has been made since our last general  
8 Council phone conference.

9 The other change that we're recommending we  
10 get at simply not to change the intent, is on page 2,  
11 the first paragraph on page 2, which we think that in  
12 the process of editing, we came across a lot of run-on  
13 sentences. We tried not to change the basic intent,  
14 and what you then wind up with is run-on sentence after  
15 run-on sentence. This is one run-on sentence that we  
16 think ran on too long, and we will want to edit. It's  
17 in that first paragraph where it says, "including a  
18 value added tax system like those in use by many of our  
19 trading partners, exacerbating the disadvantage we  
20 face." So we're going to be doing a little bit of  
21 editing. Jeff, I don't know if you had the opportunity  
22 to think about what substitution there we would make.

23 MR. DAFFLER: Well, I think we just break it  
24 into two sentences and edit out the word "consider" in  
25 that sentence, the first sentence. Then we'd start

1 another sentence that just basically says, "this  
2 includes a value added tax system like those in use by  
3 many of our trading partners, which exacerbates the  
4 disadvantages we face." Just break it up and make it a  
5 little bit easier to digest there.

6 MR. LANDOL: Great. There you go. So it  
7 certainly does not change the intent at all and it just  
8 makes it a little bit more readable.

9 That is the letter. At this point it would be  
10 proper to entertain any further comments on the letter  
11 or the body itself.

12 MR. LASZKIEWICZ: Sam?

13 MR. LANDOL: Yes?

14 MR. LASZKIEWICZ: I mentioned this to Jeff  
15 last night. This is a bit of a minor comment. But  
16 under "Support Innovation and Research" --

17 MR. LANDOL: Where are you?

18 MR. LASZKIEWICZ: The third page, under the  
19 heading, "Support Innovation and Research & Development  
20 R&D."

21 MR. LANDOL: The letter?

22 MR. LASZKIEWICZ: In the letter.

23 MR. LANDOL: Okay.

24 MR. LASZKIEWICZ: Sorry. Just one minor  
25 point. I'm not sure. Maybe it's a semantics issue.

1 But it says, "Increase the Federal investment in basic  
2 research in strategic areas and sectors, including full  
3 funding of the Competes Act, in investments and  
4 emerging areas such as technology."

5 I think, as manufacturers, basic research is  
6 critical in terms of the development of technologies  
7 for products and the process, but I also think there is  
8 an issue of applied research, applied research that we  
9 can use to differentiate our manufacturing process, our  
10 manufacturing facilities, that maybe needs to be  
11 calling out here. I know some bucket of applied  
12 research under basic research, but quite frankly I  
13 would suggest calling it out. I think it's more  
14 important in manufacturing. Yes. I certainly would  
15 support that.

16 MR. LANDOL: Yes. Yes. Certainly. There is  
17 a significant difference between basic and applied. I  
18 think we had a little bit of that conversation today as  
19 it applies to getting information, et cetera. So, yes.  
20 That's a change that we can input into that body.

21 CHAIRMAN SOHN: Any comments?

22 MR. KELLER: If I could comment on the overall  
23 goal. It's occurred to me lately that we might be  
24 satisfied, or complacent, or okay with growing the U.S.  
25 manufacturing percent of our economy, but maybe the

1 measure should be, or maybe the marker should be the  
2 percent of the U.S. manufacturing compared to global  
3 manufacturing, and that if we look at that, the global  
4 manufacturing is growing at a rather rapid rate and we  
5 are losing our share of the total global manufacturing  
6 perhaps at a rate that is not spoken to by looking at  
7 the growth in U.S. manufacturing. We might want to  
8 look at that as our market.

9 MR. LANDOL: Yes. When we talked about  
10 objectives and methods to measure, there were a number  
11 that had been considered. There's clearly no one that  
12 tells the whole story. I think the one that you point  
13 out is certainly an area to look at as well. I think  
14 the question is whether or not we can embed it here  
15 with a few choice words so it's not too -- and continue  
16 to be as clear as we can possibly be.

17 MR. KELLER: Right.

18 MR. LANDOL: We'll take that input.

19 MR. KELLER: Another one I picked up on was  
20 this idea of -- I'm talking about the corporate tax  
21 rate now on the second page. There is a discussion  
22 about going the 25 percent or lower, and to work  
23 towards the rate of between 15 and 20 percent to be  
24 truly competitive with other countries' tax and VAT tax  
25 programs. I'm not sure that that really gets at the

1 VAT issue. If we had a lower income tax rate, it  
2 doesn't necessarily assure us that we're going to be  
3 competitive with the VAT system, in my point of view.

4 MR. LANDOL: That's precisely why we spelled  
5 that out in that sentence. We understood that there  
6 were more complex issues around the VAT, and we spelled  
7 it out, the 15 to 20 and VAT tax program, precisely  
8 because of that.

9 MR. KELLER: Okay.

10 MR. LANDOL: There's clearly follow-up work.

11 MR. KELLER: Yes. It just seemed like it was  
12 saying, if it was 15 to 20, we'd be equal to the VAT  
13 program. It seems like the implication is that we're  
14 truly competitive at 15 to 20 with a VAT program.

15 MR. LANDOL: Ah. Ah.

16 MR. KELLER: That's what I was reading from  
17 that.

18 MR. LANDOL: I got your point. Right. Right.  
19 I hear you.

20 CHAIRMAN SOHN: Truly competitive versus being  
21 more competitive.

22 MR. KELLER: Yes. Right.

23 MR. LANDOL: Okay. We will make that  
24 distinction. It was not intended to do that, so we can  
25 do that. Anything else?

1           MR. ARGUELLO: I don't know if it's too late  
2 to give my idea. In relationship to the comment that  
3 was made, that manufacturing in other countries is  
4 growing at an astronomical rate in relationship to the  
5 rate that it's growing here in the United States. I  
6 see today in the earlier discussion in the morning,  
7 that this 25 percent tax rate will be an uphill battle  
8 facing the situation of the economy and the budget  
9 cuts, and we're about to close our government tomorrow  
10 because we don't have the budget.

11           I have seen notes in here. I'm sorry. Before  
12 I go there, I see here that we as manufacturers, in  
13 these recommendations, are looking at existing  
14 manufacturing companies to accommodate to the 25  
15 percent wish that we want. But I see nothing towards  
16 the new manufacturers, those manufacturers that are  
17 opening manufacturing plants in other countries. What  
18 are we offering them to come to the United States and  
19 open here? We're trying to protect us. We're already  
20 here, we're already at the table. Now we want to pay  
21 those taxes. Put it that way. But we're not  
22 protecting those new guys.

23           As I travel around the country--not that I go  
24 to other countries too often--to have a desire to open  
25 manufacturing plants in other countries, but as I go,

1 exporting my products, I get approached by the  
2 different governments and get offers to open plants in  
3 other countries. I get a lot of offers from  
4 government, 10-year tax rates if you bring a factory  
5 here. So I would like to suggest that, somewhere--  
6 maybe it's too late in this discussion, but in future  
7 discussions--for the government to consider and to  
8 realize that if we can get 100 jobs from a new factory  
9 coming to the States, we're growing our GDP, we're  
10 reducing our unemployment, we're bringing more income.

11 I would love to see us move and get to the  
12 battle. I was talking here to Greg yesterday about  
13 Costa Rica, going after the medical device industry and  
14 stealing it from the United States and taking it to  
15 Costa Rica. I don't see anything in this relation to  
16 the government. I would like to see some discussion in  
17 this so we can grow our manufacturing base.

18 MR. LANDOL: Luis, if it doesn't come across,  
19 we'll need to take another look at it. But I can  
20 assure you that our intent throughout was to -- in  
21 fact, the words "attracting manufacturing investment"  
22 appears throughout the letter and the body, with the  
23 clear message being given that the intent here is to  
24 bring back to attract new investment. So that's very  
25 much the intent of the existing words that are here.

1           MR. BACHMANN: Well, maybe we need to be a  
2 little more obvious, because when I'm facing having to  
3 add plant and equipment, and I can add it in a foreign  
4 country that will subsidize a third of my costs and let  
5 me operate tax-free, versus if I stay here I have to  
6 pay a lot of taxes. So maybe we need to make it a  
7 little more obvious what's the case.

8           MR. ARGUELLO: As Wendy's said, "Where's the  
9 beef?"

10          MR. LANDOL: Given the backdrop that we were  
11 all working against, we also wanted to present that. I  
12 was very pleased to have been a part of a process that  
13 took into consideration very much a genuine concern for  
14 what backdrop we're working with in terms of trying to  
15 decrease the deficit. That is why we talked about 25  
16 today as not being the end all, that we have got to get  
17 to Phase 2 and Phase 3, which makes us be even more  
18 competitive.

19          The comments today about having tax-neutral  
20 effects was something that was very much on our minds.  
21 There was concentration on various branches of the  
22 administration, like Treasury, to take into  
23 consideration the fact that we think that this  
24 submission is one that will generate more employment,  
25 more jobs, and more revenue. So to that extent, there

1 was a lot of thought given to that. Again, the words  
2 are here. We'll take another look to see if can be  
3 sharpened in any way, but that is clearly the intent of  
4 these words.

5 MR. MCGREGOR: I thought we were going to have  
6 some mention of our concern about the deficit in the  
7 letter. I don't see it here. One of the past  
8 letters --

9 MR. LANDOL: Yes.

10 MR. MCGREGOR: -- I thought it was in there.  
11 I don't see it here. I think we're making a serious  
12 mistake.

13 MS. ISBISTER: Jim, it's there.

14 MR. MCGREGOR: Where is it?

15 MS. ISBISTER: "While we do not specifically  
16 address the Federal deficit in this letter, the Council  
17 acknowledges that we must act with full awareness of  
18 the need to bring spending in line with revenue in  
19 order to mitigate the long-term effects of the deficit  
20 on our ability to compete."

21 MR. MCGREGOR: Where are you?

22 CHAIRMAN SOHN: Fourth paragraph, first page.

23 MR. MCGREGOR: Thank you.

24 MS. ISBISTER: And I think that's what we  
25 agreed was all that would make sense to address at this

1 point.

2 MR. MCGREGOR: Okay.

3 MR. FULLER: Sam, I just want to go back to  
4 Luis's point, and Greg's. When we started with the  
5 three pillars in the early conversations, tax was  
6 always one of the first pillars. We had energy has a  
7 pillar. We moved it off and moved innovation in its  
8 place. But we started talking about tax early on.  
9 Everyone wanted to go where we should go, but there  
10 were a lot of conversations about being relevant, and  
11 the number of other letters that had been presented  
12 over the past few Councils, and nothing getting done.

13 So it was with some level of intentionality  
14 that we said, let's put a stake in the ground at 25  
15 percent, which still is going to be very, very hard to  
16 do. It's not where we want to go, but if we don't  
17 drive conversation somewhere that can be attained, it's  
18 like being in a car and not having any gas. So it's  
19 not as if we didn't hear early on that this doesn't  
20 reach far enough into what we really need to have that  
21 CEO make that decision to put that business in Toledo  
22 versus putting it in Taiwan. It's just that we've got  
23 to deal with the realities of the politics of the day.  
24 So it was most certainly discussed a lot early on, and  
25 this was the consensus of the best way to present.

1 MR. LANDOL: Thank you, Al.

2 CHAIRMAN SOHN: Other comments? Jim, I know  
3 you had some comments on the tax structure for small  
4 business and I just wondered if you wanted to at least  
5 enter those comments into the Council here.

6 MR. MCGREGOR: Well, I mean, I assume when the  
7 letter is finally done we're going to vote on it?

8 CHAIRMAN SOHN: That's the plan. Do you want  
9 to wait until then?

10 MR. MCGREGOR: I'll cast my vote then. I've  
11 set it up already.

12 (Laughter)

13 MR. LANDOL: We did also address the  
14 Subchapter S issue. As we mentioned during the session  
15 with Ron Bloom, we recognized that probably some income  
16 tax rates might have been raised were it not for  
17 Subchapter S when the consideration was being given to  
18 extending the tax cuts. We discerned that it was the  
19 administration's interest to address small business  
20 that kept it to where it is. We recognize that that's  
21 something they're struggling with today in terms of,  
22 how do you make that separation, because no one wants  
23 to affect small business. But at the same time, we  
24 recognize we have a deficit that needs to be dealt  
25 with.

1           MR. MCGREGOR: The way this letter is written,  
2 the taxes in the Sub S's are going to go up at the end  
3 of the year when we file our W-2s or 1040s, or whatever  
4 we file.

5           MR. LANDOL: Our recommendation is that --

6           MR. MCGREGOR: I understand what your  
7 recommendation is. But your recommendation is asking  
8 specifically for corporate tax rates for the 25  
9 percent, preferably lower, and it's saying, by the way,  
10 there are S corporations out there, and if they can,  
11 deal with them and help them be more competitive. Now,  
12 if you want to put S corporation rates at 25 in the  
13 letter, I'll vote yes for it. Without it, the vote is  
14 no and I'll fight you on the Hill.

15           MR. LANDOL: Well, that's clearly the intent.  
16 So what do we need to do, James?

17           CHAIRMAN SOHN: Jeff, did you want to jump in  
18 here a little bit?

19           MR. DAFFLER: Well, Jim and I had talked about  
20 this. I hope that the language in the letter is clear  
21 that we absolutely as a Council, if we adopt this  
22 letter, oppose taking it out on Sub S in tax to make up  
23 for some reduction in the corporate rate. That is  
24 unacceptable, and I think the letter makes clear that  
25 that is unacceptable.

1           CHAIRMAN SOHN: Can you point out exactly  
2 where you see that as being clear?

3           MR. DAFFLER: Sure.

4           CHAIRMAN SOHN: Obviously not so clear.

5           ASSISTANT SECRETARY LAMB-HALE: It's in the  
6 first bullet, right?

7           MR. DAFFLER: Yes, it is. In the first bullet  
8 we say, "Due to the fact that many small- and medium-  
9 sized manufacturers are organized as S corporations and  
10 limited liability companies which would not benefit  
11 from changes in the corporate tax rate, we strongly  
12 recommend changes to the tax system that will  
13 contribute to the competitiveness of these  
14 manufacturers, further benefitting the economy."

15           I think the discussions of the subcommittee  
16 were along the line that we did not have the space  
17 available in this letter to specifically work out a  
18 system that is very much entwined with the question of  
19 individual taxation, individual tax rates, but that we  
20 strongly recommend--and perhaps this is a point for  
21 future work for the Competitiveness Subcommittee and it  
22 might make sense for our next letter to be very much  
23 along the lines of tackling, with expert input and  
24 data, how best we can propose an alternative system of  
25 taxation that would ensure exactly the effects that Jim

1 is talking about would not come to fruition should  
2 there be a reduction in the overall corporate tax  
3 rates.

4 CHAIRMAN SOHN: Jim, do you have a specific  
5 change that you think is warranted to somehow clarify  
6 or underscore and emphasize the point you're making?  
7 It's not the intent to --

8 MR. MCGREGOR: I understand what you're  
9 saying. I also understand it's an extremely  
10 complicated subject. Without really overhauling the  
11 whole Tax Code, I'm not going to be happy. What I  
12 don't want to happen, is I don't want C corporations  
13 really to give away whatever they're going to give away  
14 to get their tax rate down to 25 percent, and then me,  
15 as a Sub S, have to give those away and have my rate of  
16 taxation stay the same, which will be an increase in my  
17 taxes.

18 So there's a report that's going to be  
19 delivered on the Hill next week by the Sub S  
20 Corporation Organization, and it's going to show data  
21 on how many employees and how many companies in America  
22 are Sub S corporations, and how many they employ. This  
23 report is going to show that there are more employees  
24 in America working in Sub S corporations than there are  
25 in C corporations. I think there is data already that

1 is provided that proves that the employment sector is  
2 being driven by Sub S and small business employing  
3 people, not C corporations in America today.

4 So I understand everybody's desire to be  
5 competitive in America, and to be competitive in the  
6 world environment. But I don't want the S  
7 corporations, the small and medium family-owned  
8 businesses in America to subsidize the C corporations,  
9 because most of us are supplying the C corporations  
10 with product and we're already having trouble being  
11 competitive.

12 MS. BROWN: So if I could chime in here just  
13 as an S corp and small business. I think one of the  
14 things that could be added here is just more specific  
15 language of, if we adopted a C corp, we do not  
16 recommend that it is offset through additional charges  
17 to S corps, or that it is passed through. We need to  
18 maybe have another statement in there. This is just  
19 saying we recommend -- I mean, I know it's a  
20 complicated issue, but you could put some more specific  
21 language in there, saying with this corporate tax rate,  
22 we are not advocating in any way that some of those  
23 funds would come from the S corp, which really only  
24 leaves you with individual tax.

25 What we heard about, if you want it to be tax

1 revenue from the conversation this morning, you would  
2 be doing a plan saying we want you to cut corporate  
3 tax, we want you to cut S corp tax, and we want you to  
4 raise the taxes--controversial--on the wealthy  
5 individuals. So I mean, I think that's what they're  
6 asking for. If you really wanted to do a  
7 comprehensive, less competitive, that's what they were  
8 saying this morning. But I think there probably is a  
9 little bit stronger language. I have to kind of agree  
10 with Jim, this is like a general recommendation.

11 But it doesn't say, like, what's the priority.  
12 When I read this, I think especially that it was the  
13 first thing on here, I do get the impression, as kind  
14 of multinationals lead this letter, then the small  
15 business stuff--which there's some very good stuff in  
16 here--is imbedded within the letter in certain  
17 sections. I don't know if you want to call it out  
18 more, but there are certain benefits to large and there  
19 are certain benefits to small, and some do both.

20 MR. LANDOL: So what was your --

21 CHAIRMAN SOHN: I think the key has to do with  
22 being explicit as opposed to being general as a  
23 recommendation. Do you think we can craft it  
24 accordingly?

25 MR. KELLER: Maybe the relationship is

1 proportionate as opposed to -- there's a proportionate  
2 reduction in the Sub S tax structure. Maybe that  
3 works. I think that what Jim is looking for.

4 MR. LANDOL: What if we simply said, and we  
5 want to be clear that we considered Sub S to be an  
6 extremely important element of our economy, and by no  
7 means would we be happy, or something along those  
8 lines, with an increase to those corporations?

9 MR. MCGREGOR: You are really playing the  
10 Washington dance more than what you --

11 MR. LANDOL: Help me.

12 CHAIRMAN SOHN: So let's take this approach.  
13 I think that the intention here is well understood.  
14 I'm not sure that I see anybody at the table that  
15 disagrees with the intention. It wasn't the desire, I  
16 don't think --

17 MR. LANDOL: Not at all.

18 CHAIRMAN SOHN: -- of the subcommittee to  
19 distinguish between the Cs and the Ss and LLCs and so  
20 forth that exist in the country. So let's figure out  
21 how to craft this part of the document to reflect that.  
22 I would suggest perhaps that Jim and Chandra  
23 participate in that so that it's really clear, and then  
24 we will be able to have something that works for the  
25 Council. Is that okay?

1           MR. MCGREGOR: Yes. I appreciate what you  
2 said, Bruce. You know, there are some things you can  
3 dance on and there are some things you can't. When it  
4 comes to tax policy for small and medium businesses,  
5 and I'm sitting here for those folks, and if I walk out  
6 of this room and don't say this, before I get on the  
7 plane tonight somebody's going to be railing on me and  
8 it won't stop for a long time. That is my obligation  
9 as being an American and a businessman sitting at this  
10 table. So I'm not mad at anybody, but I want to make  
11 sure everybody knows where I'm coming from.

12           CHAIRMAN SOHN: We got it. We appreciate that  
13 contribution. Thank you very much.

14           Okay. Any additional inputs on other parts of  
15 the document?

16           MR. MELTON: Bruce?

17           CHAIRMAN SOHN: Yes, Dave?

18           MR. MELTON: I want to make a comment on the  
19 energy policy, also speaking from the Energy  
20 Subcommittee. With this being the competitive letter,  
21 I'm starting to see a trend where we're putting energy  
22 efficiency and conservation as applies to manufacturing  
23 first in front of the real opportunity on the table,  
24 which is manufacturing of clean energy products. I see  
25 cost reduction in energy efficiency, cost reduction in

1 conservation, but not a lot of job creation in that.  
2 That is what one of our major goals is, job creation,  
3 bringing those jobs into the U.S.

4 I was going to say at our last meeting, 30  
5 years ago we had a good energy jump-start under Carter  
6 with the creation of the Department of Energy, and put  
7 solar on the White House. The next administration took  
8 a different tack and we wound up with three-ton SUVs.  
9 Now we're dealing with that.

10 In the meantime, the rest of the world took  
11 our clean energy technology and built it up: Japan,  
12 Germany, all of Europe. They are now looking at the  
13 U.S. They want to come here to the U.S. and invest.  
14 Here is our opportunity to create the jobs and build  
15 and make the manufacturing opportunities happen here in  
16 the U.S.

17 But I see us continue to put traditional  
18 energy generation in front of the opportunity of energy  
19 efficiency and conservation. You do that all day long.  
20 But that is not job creation, that's a cost reduction.  
21 We want to balance all fuels and non-renewables. We  
22 state it right there. The real opportunity is not in  
23 non-renewables. That's been going on for 100 years.  
24 So now it will continue to go on. This power right  
25 here is non-renewable. We know that.

1           What we need from all the manufacturers around  
2 the country, you big-box, flat-roof, 500,000 square  
3 feet buildings, is to put solar on top. You are now a  
4 distributed energy resource. You are offsetting the  
5 load on the grid, so that helps the infrastructure.

6           Why has Japan and Germany taken the lead? My  
7 opinion is because they saw their infrastructure blown  
8 away and they'll never let that happen to them again.  
9 Now, we haven't gone through that, but we should learn  
10 from their lessons. Each of you manufacturers have  
11 this, not opportunity. It's our duty to convince you,  
12 our duty in our industry to reduce the price-to-grid  
13 parity. That's what we're working on. But without  
14 your manufacturing rooftops, without your willingness  
15 to say, okay, I'll support you, I'm in, I can look at  
16 it seriously, I'll listen to your proposal, it's not  
17 going to happen.

18           CHAIRMAN SOHN: So David, I think the key  
19 issue that the Competitiveness Subcommittee was working  
20 on in regards to actually each of these issues, whether  
21 we're talking about energy, workforce development, or  
22 trade issues, for example, was more of an  
23 acknowledgement in this letter that there are things  
24 beyond the three pillars that still need to be  
25 considered. That's not all there is. I think we'll

1 get into some of those key issues as we talk further.

2 MR. ALLEN: I can respond to that. I think I  
3 agree with what you're saying. Also, maybe the Energy  
4 Subcommittee, we can help work on actual job  
5 calculations for industrial efficiency for the supply  
6 side and demand side, and the new technology, the clean  
7 technology development. But we believe, and I know you  
8 all spoke with Ron Bloom this morning. There is a jobs  
9 aspect to industrial efficiency and energy efficiency,  
10 so we will just maybe call that out and we're doing it.

11 CHAIRMAN SOHN: All right. So I think what  
12 I'd like to do, we've obviously continued to get inputs  
13 and develop. These are very important topics and we  
14 know that they're complex, but this is the core of what  
15 we need to do to ensure competitiveness of  
16 manufacturing here in the United States.

17 What I'd like to do is advocate for continuing  
18 or to make the adjustments that have been identified  
19 here, and we'd bring them back to the Council. Given  
20 that this is our formal meeting this quarter, however,  
21 I'd like to suggest that, subject to the language that  
22 will be put into the document and routed around to the  
23 Council, that we approve the letter going forth and  
24 being presented to the Secretary. Are we okay with  
25 that?

1           MR. KELLER: Would that be with a phone call  
2 in between the meeting as opposed to a formal meeting?

3           CHAIRMAN SOHN: Yes. We'll ensure that the  
4 Council members get to review it. Absolutely. Yes.  
5 Okay.

6           MR. KELLER: So moved.

7           CHAIRMAN SOHN: Okay. Noting no objections,  
8 we'll assume the letter to be adopted, with those  
9 changes. All right. Thank you. And thank you very  
10 much for your work on that front. Sam, thank you, and  
11 everybody, for your patience in getting through that.

12           All right. Roger, I believe you had some  
13 comments for us?

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1                   UPDATE ON REGIONAL INNOVATION CLUSTERS  
2                                   & MANUFACTURING GRANTS

3                   Roger Kilmer, Director

4                   Manufacturing Extension Partnership

5  
6                   MR. KILMER: Yes. Sure. I'll be real brief.  
7                   I know you've got a bunch more things on your agenda  
8                   yet.

9                   What I wanted to do is to give you a quick  
10                  update on actually two of the elements that are in the  
11                  recommendations out of the Subcommittee on  
12                  Competitiveness, in particular, the things related to  
13                  the regional innovation clusters. One of the  
14                  encouraging things, I think, from my perspective is  
15                  that we're actually now starting to see some  
16                  clustering, if you will, on the Federal side. By that,  
17                  I mean some actual coordination and cooperation across  
18                  the agencies for some of these opportunities.

19                 Right now, EDA has one that's out on the  
20                 street. That's the I-6 Green Challenge. It's a  
21                 follow-up to the I-6 program that they ran last fiscal  
22                 year that was focused on biosciences. This year, it is  
23                 much more in the green technology, renewables, et  
24                 cetera. There is \$12 million available. It's a  
25                 partnership between EDA, the Department of Agriculture,

1 Energy, EPA, National Science Foundation, the Patent &  
2 Trade Office, and the MEP program. EDA has \$6 million  
3 in there, and the partners are putting in about an  
4 equivalent amount or other resources.

5 The proposals are due in May 26. What I would  
6 do from the details, if you go to the EDA website--and  
7 we can provide that link. Nicole and her team can get  
8 that out to you--it shows some of the specifics behind  
9 eligibility, the partnership arrangements.

10 I think this is aimed towards the typical  
11 nonprofit organizations that the EDA funds, but  
12 certainly there are some opportunities for companies to  
13 partner in this operation, and certainly if you're  
14 involved or affiliated with those organizations that  
15 would certainly be eligible for this, either folks that  
16 you partner with or boards that you sit on, et cetera,  
17 you can communicate that.

18 There is a bigger and broader innovation  
19 cluster competition that's going to hit the street very  
20 quickly. They're in the final stages of this. It's  
21 being organized by--and I'll give you the acronym and  
22 then tell you what the acronym stands for--TARIC. If  
23 you haven't heard that, it's a Task Force for the  
24 Advancement of Regional Innovation Clusters. It really  
25 pulls together 15 Federal agencies to look at how to

1 take advantage of not only the technology and  
2 innovation, but the broader business development  
3 aspects, the job creation, workforce development  
4 components to this.

5           They're looking to fund approximately 20  
6 industry-diverse clusters across the U.S. They've got  
7 about \$32 million available for that. Once they get  
8 through some final clean-up -- I mean, the title I have  
9 now, which may change because it's changed at least  
10 once, was Jobs and Innovation Accelerate Challenge.  
11 But again, that's something I think we can get out  
12 specific information to you folks on once that gets  
13 finalized.

14           The last piece that I passed around was  
15 something related to a conference that MEP has been  
16 running, and continues to run. Our conference in the  
17 past had typically been focused on more of a  
18 professional development networking for our center  
19 staff. We started a transition last year by bringing  
20 in the U.S. Commercial Service officers from Europe to  
21 help start identifying opportunities for manufacturers.  
22 This year we've taken another step in that transition  
23 to really make this conference a really combined MEP  
24 staff development, but more of, how do we connect  
25 manufacturers, particularly small manufacturers who

1 don't have those kind of networks to rely on. How do  
2 we connect them with other business opportunities? Our  
3 focus this year is to bring in folks from the Defense  
4 Logistics Agency and Minority Business Development, the  
5 DoD Procurement Technical Assistance Centers, NASA, the  
6 U.S. Commercial Service, again.

7 But this year we've also got Lockheed that's  
8 coming in to help identify, what are the opportunities  
9 in their supply chain so we can hopefully continue to  
10 evolve this to do much more of the matchmaking  
11 opportunity piece, with the general focus for both the  
12 manufacturers on our staff being, how to you actually  
13 start to implement the innovation and technology things  
14 that we're talking about? How do you get them to look  
15 at what those export opportunities are? How do you get  
16 them to understand that there are other customers,  
17 other supply chains that we need to get connected to,  
18 and really trying to promote that innovation and  
19 competitiveness piece at more of a grassroots level.

20 CHAIRMAN SOHN: Great. Thank you, Roger.  
21 Appreciate that.

22 All right. With that, we'll move on to the  
23 Energy Subcommittee. Jason, you can give us an update  
24 on --

25 MR. SPEER: The Export/Import.

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CHAIRMAN SOHN: That's right. Export/Import.  
I'm sorry. I'm looking right at it and saying the  
wrong thing.

EXPORT/IMPORT DISCUSSION

Export/Import Subcommittee Update

Jason Speer

MR. SPEER: I will keep it brief. Since our last meeting, we had a conference call to address some of the important provisions in the FTA, specifically in KORUS and in previous and pending FTA agreements, just to go over it so everyone is comfortable and understands how that process worked. It seemed to answer a lot of questions that we have. We as a subcommittee are looking at and especially were excited about the news about Colombia yesterday, and look forward to encouraging the passing of Colombia, Panama, and of course the Korea free trade agreements.

Some of the other issues that came up were about export licensing and how long it takes, going from different departments. That was an issue that seems to come up, and maybe some ways that we can work on that. Another thing looking ahead of the game, trying to get involved in TPP and Doha, I see if we can give any sort of input into that as it's being formed instead of, such as in the Colombian, of course, where it's already been formed, if there's anything we can do to get involved while it's being formed.

1           Another big issue, I think, would be the next  
2 thing, maybe a recommendation on some tools, such as  
3 like a tool box, of what the Department of Commerce and  
4 other entities can do to help, particularly SMEs, learn  
5 what resources the government has in terms of exporting  
6 and trade, and kind of even drill it down to looking at  
7 what the U.S. Foreign & Commercial Service officers do  
8 to promote U.S. companies abroad and to make sure that  
9 they're adequately educated, to look at it from a broad  
10 scale and give sort of the recommendations on what can  
11 be done. At our meeting yesterday, something came up  
12 about Commerce Connect. No one in the room had heard  
13 of it. So, there's a big disconnect. That seems like  
14 a great opportunity.

15           Then Nicole brought up about the FTA's  
16 database online too, which is a great resource, and we  
17 just want to make sure that people know about these and  
18 know about these services and have access to it. So we  
19 tend to look at it as a subcommittee at ways to educate  
20 and work with Department of Commerce to get the word  
21 out there, and ways that we can help as private  
22 companies, what our experience has been, both good and  
23 bad, and try and work with you in moving forward on  
24 that. That's what we worked on.

25           CHAIRMAN SOHN: Thank you.

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I think we're going to get an update on KORUS.  
Is that right?



1 rate later this year. Thus, we have very good  
2 offensive, as well as defensive, reasons for promoting  
3 this agreement.

4 Just as important as the tariff benefits, the  
5 agreement gives us significant non-benefits or  
6 advantages on the non-tariff barriers that have  
7 traditionally blocked a lot of American exports out of  
8 this particular market, particularly with regard to  
9 standards, technical regulations, and other measures.  
10 So let me address that very quickly.

11 KORUS, the agreement, has a range of strong  
12 provisions that deal with these non-tariff barriers and  
13 prevent future barriers from being implemented by the  
14 Korean government or the Korean government in  
15 cooperation with its trade associations. So these  
16 commitments include enhanced transparency, technology  
17 neutrality commitments by the Korean government, and  
18 improvements in Customs regulations by the Korean  
19 government.

20 Then in addition to that, there are strong  
21 enforcement provisions that allow us to check non-  
22 tariff barriers that we anticipate will certainly come  
23 up once the agreement is passed. For example, Korea  
24 will be obligated to give us a 40-day comment period,  
25 notice and comment period, and 60 days in some areas

1 when new regulations are passed. This is twice as long  
2 as the current comment period. Also, the agreement  
3 establishes 16 committees and two working groups, some  
4 at the minister level. I won't go through them, but a  
5 TBT committee, an automotive working group, an SPS  
6 committee, and others.

7           On the automotive side, there is some  
8 sensitivity. There is also a snap-back provision for  
9 motor vehicles which would allow us, if the Koreans are  
10 not following their market opening commitments to U.S.  
11 manufacturers, to reapply the current 2.5 percent duty  
12 on autos coming in to this market. So we're committed  
13 to closely monitoring the agreement. We know that the  
14 agreement, without monitoring, is likely to be much  
15 less effective. So, we will insist on our rights and  
16 that negotiations under the agreement be respected.

17           So let me address a couple of concerns that  
18 are often raised with regard to KORUS very quickly. No  
19 one, including North Korea, nor China, will be able to  
20 claim originating status or will be able to take  
21 benefits from this agreement simply because they have  
22 slapped on a "Made in Korea" label. There is a number  
23 of defensive barriers that we have in place to assure  
24 us of that.

25           So in order to claim Korean origin, an

1 importer, exporter or producer has to certify that the  
2 good has met the rules of origin and other provisions  
3 in the agreement, and U.S. law provides for very strong  
4 verification procedures and imposes a number of record-  
5 keeping and other obligations on anyone making those  
6 claims, and those who make false claims will be held  
7 accountable.

8 In addition to that, U.S. Customs provides --  
9 well, the KORUS agreement allows for very strict  
10 Customs enforcement provisions to stop any illegal  
11 transshipments that might go around Korean sources. So  
12 we believe that these provisions allow us strong  
13 ability to verify that the agreement is being  
14 implemented properly, including post-importation  
15 verification, a summary review of all goods, and  
16 penalties and seizure and denial of entry in cases  
17 where we're uncertain that our rights have been  
18 respected.

19 Thank you, Chair.

20 CHAIRMAN SOHN: Thank you very much.  
21 Appreciate that. All right.

22 MR. KELLER: Can I ask a question? As these  
23 additional free trade agreements come online and as we  
24 are increasing our enforcement activities, if you will,  
25 and monitoring activities, can you speak to the

1 staffing levels of that, given the tough environment  
2 we're in?

3 DEPUTY ASSISTANT SECRETARY ALLEN: Yes.  
4 Staffing is a concern. But this is the highest  
5 priority, and therefore we'll dedicate the staff that  
6 we need to to implement the agreement.

7 MR. KELLER: I think I heard that you're  
8 keeping the same level of staff, but trying to work  
9 harder and faster on it.

10 DEPUTY ASSISTANT SECRETARY ALLEN: I don't  
11 know of any plans to increase that.

12 MR. KELLER: Okay.

13 CHAIRMAN SOHN: Peter, I think you had some  
14 comments for us.

15 MR. BACHMANN: Just really quickly on the  
16 Korea Free Trade Agreement, and others, because I'm  
17 running into this all across Asia. I'm a niche  
18 chemical company, so it's a small C corp. One of the  
19 things I'm running into as a trade barrier is  
20 registering chemicals.

21 So if I create a new molecule because it has  
22 good properties for the products that I make and I want  
23 to import that into Korea, and now China and Japan is  
24 the same thing, I have to register that. That is going  
25 to be 60 days, 90 days before I can start to sell that

1 product in that country. Plus, for a small company to  
2 have to pay \$20,000 to \$40,000 per chemical to register  
3 it -- it might not be a problem for a huge company to  
4 do that, but for a niche player that does create a  
5 significant burden.

6 DEPUTY ASSISTANT SECRETARY ALLEN: These are  
7 barriers that are common to Japan, China and Korea,  
8 that they need to be registered and that includes some  
9 cost. I'd have to look at the provisions. I'd be  
10 happy to get back with you vis-à-vis KORUS on this, and  
11 I'm delighted to do so.

12 MR. MCGREGOR: Do they have to register theirs  
13 when they come here?

14 VOICE: Good question.

15 MR. ARGUELLO: In relationship to  
16 registration, that is a major obstacle that the medical  
17 device industry has. I would like to bring to the  
18 attention on these free trade agreements that we sign  
19 with other countries, and I'll talk specifically about  
20 China. China, about two or three years ago, had a very  
21 flimsy FDA system, Ministry of Health, up to a point  
22 that the director of FDA was put against the wall and  
23 shot about three years ago, or something like this,  
24 because the FDA order was non-existent. Having said  
25 that, all the medical device companies that were

1 manufactured in China three years ago did not undergo a  
2 surveillance and inspection system to bring the medical  
3 devices up to par, up to the safety required to play in  
4 the world market.

5           So about three years ago when this guy got  
6 shot, they started doing their first inspections.  
7 Most--not to tell you all--the companies that were  
8 existing and manufacturing medical devices in China  
9 were grandfathered into the program, and as they were  
10 inspected, they were inspected on a very friendly  
11 Chinese system.

12           Our issue as an American medical device  
13 manufacturer is, when we go to China, now we have to  
14 register our medical devices there and they want us to  
15 go through a much more strict process than the United  
16 States's FDA. Why? They are trying to impose barriers  
17 so that we do not penetrate and we do not export our  
18 products into the largest market of the world.

19           I believe the agreements should in some way  
20 enforce and tell them that if you're going to apply X  
21 amount of rules to the medical devices that are  
22 imported into China, you will do these same rules to  
23 the Chinese medical devices. We are not playing in the  
24 same arena. Now I'm not talking about the one on  
25 labor, I'm talking about the registration, what he

1 said.

2           Expanding more on that and going into China,  
3 it is brought to my attention that the SMEs have  
4 enormous issues and do not have resources to find new  
5 markets. So we use the Department of Commerce. for  
6 those of us that know the Department of Commerce has  
7 that service, to open new markets and we use them.  
8 There are a lot of companies that do not know that this  
9 service is available from Department of Commerce.

10           I would like to bring to the attention here of  
11 Department of Commerce and other government officials  
12 the service that commercial specialists are doing now.  
13 In reference to Japan, when we approached it, and the  
14 Commercial Service in Japan asked me for \$2 million to  
15 register my products to be able to export to Japan--  
16 we're not talking \$20,000--and I think about two or  
17 three years. We would like to ask for help to undercut  
18 these fees to enter into the Japanese market, to such a  
19 point that we gave up and said we will never play  
20 Japan. I'm not going to give \$2 million. We have old  
21 FTAs and TE requirements. We have all the books. But  
22 that is non-existent.

23           There is another case that perturbed me a  
24 little more, and I passed it over to Michael a few days  
25 back. We were invited to participate and open the

1 Indian market in medical devices, so we sought  
2 assistance from the embassy in Mumbai. I would like to  
3 read a paragraph of what the commercial specialist told  
4 us after they made a light study of the medical device  
5 market there. His name is Sanjan Arja, Commercial  
6 Specialist, the U.S. Commercial Services, Mumbai,  
7 India.

8           So he told me, he wrote to us, "Our findings  
9 suggest the presence of too many players in your  
10 segment, making it highly competitive. In the event of  
11 importing your products for selling in India because of  
12 -- combined with Customs import duties, freight,  
13 forwarding costs, advertising, and marketing expenses,  
14 it may make the product highly expensive and inviable  
15 due to the fierce competition in this segment."

16           He plainly told me, don't come and play in  
17 India. I believe that the job that we are all trying  
18 to do, in the creation of more American jobs, this is  
19 completely an unacceptable attitude of a U.S.  
20 Commercial Service employee. I wanted to bring that to  
21 your attention from the SMEs I represent, the medical  
22 device SMEs. I'm fighting very hard to -- jobs.

23           CHAIRMAN SOHN: You can see that there is a  
24 lot of importance and value that the Council members,  
25 and manufacturing in general, place on these issues

1 around export and import. I think that if we can  
2 ensure that there's a level playing field throughout  
3 the world, that I think we're all very confident that  
4 American manufacturers can compete effectively.

5 MR. PEREZ: We might add that Deputy Assistant  
6 Secretary Allen and myself will be joining with the  
7 Chinese on Monday and Tuesday for the JCCT meeting,  
8 regular meeting, where we do talk about medical devices  
9 and pharmaceuticals, and we hear you loud and clear.

10 DEPUTY ASSISTANT SECRETARY ALLEN: The  
11 registration issue are, first and foremost, among our  
12 concerns.

13 CHAIRMAN SOHN: Peter, did you have a brief  
14 comment?

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1 confident that they will be able to resolve, if they  
2 haven't already. But we'll obviously be working on  
3 similar kinds of outreach tools--you talked about  
4 tools--to companies, as tools that we'll be sharing  
5 with congressionals. I look forward to working with  
6 you folks. If you have any questions, or if you know  
7 of folks who are interested in this information, please  
8 have them contact my office.

9 CHAIRMAN SOHN: Thank you.

10 I think we need to move on to Workforce  
11 Development. Mike, I think you've got an update for  
12 us?

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1                                    WORKFORCE DEVELOPMENT DISCUSSION

2                    Workforce Development Subcommittee Update

3                    Mike Laszkiewicz, Subcommittee Chair

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5                    MR. LASZKIEWICZ: Yes. Yes, I do. And I'm  
6 going to be helped by, I would like to say, my co-  
7 chair, Mary Isbister.

8                    MS. ISBISTER: I've been elevated!

9                    (Laughter)

10                   MR. LASZKIEWICZ: And Dr. Spriggs to make some  
11 comments.

12                   We have used the quarter since our last  
13 meeting to really become much more knowledgeable on the  
14 issues and challenges related to workforce development.  
15 We've stayed very close to the work of the  
16 Competitiveness team. Obviously, their language in the  
17 letter relates to our priority, and that is to deliver  
18 a workforce that will allow us to compete globally.

19                   We have had many meetings and events, but I  
20 think two are notable. The first, we held a summit in  
21 Milwaukee, Wisconsin, a Workforce Development Summit,  
22 which included some of the nation's leading experts in  
23 terms of business and education. We included some  
24 members of the administration of the Milwaukee public  
25 school system. We had deans and administrators from

1 community colleges and technical schools. We had  
2 experts on STEM, the Science, Technology, Engineering  
3 and Math initiative, as well as Chamber of Commerce and  
4 National Association of Manufacturing members.

5 We appreciate that Mike Masserman flew to  
6 Milwaukee to participate in the meeting, and Dr.  
7 Spriggs joined us and presented to the audience via  
8 video conference. We had, yesterday, as a result of  
9 that work, a meeting with Labor Secretary Solis. We  
10 had an excellent discussion and have, I think, gotten  
11 to a point where we continue to evolve the framework  
12 that will become our letter.

13 Mary is going to take you through the outline  
14 of the framework, and then after Mary's piece of that  
15 framework I'll give you our next steps.

16 Mary?

17 CHAIRMAN SOHN: Mary?

18 MS. ISBISTER: Thank you. Well, I think we're  
19 probably all on the same page when it comes to the  
20 compelling arguments for why understanding our  
21 workforce issues is pretty significant. Global  
22 competitors are going to win, because they have a ready  
23 workforce, unless we do something soon. A significant  
24 skills gap exists between those who are currently  
25 unemployed and the openings that are available in our

1 manufacturing sector.

2           Lastly, there is a rapidly diminishing number  
3 of students who are going into math and science fields  
4 that will support manufacturing long term. If you  
5 think about those three compelling arguments, then you  
6 understand that we have two issues. One is a short-  
7 term tactical: how do we fill the almost 200,000 open  
8 manufacturing positions today? And the longer-term  
9 strategic issue that says: how do we have a workforce  
10 that is going to support manufacturing long term,  
11 because we don't have the supply chain or the pipeline  
12 to supply these new manufacturing employees, and we  
13 have an aging workforce. The talent is retiring. So  
14 we've got the near-term tactical that we need to  
15 address and the long-term strategic, and the solutions  
16 for both are somewhat different but they can't be  
17 mutually exclusive.

18           We are going to propose that the solutions  
19 fall into three time horizons: the one year, or the  
20 very near-term things that we need to do; the sort of  
21 two- to five-year time frame, and that addresses the  
22 folks that are in schools and in our education system  
23 today, and how do we prepare them to take the  
24 manufacturing jobs that look different today than they  
25 did even a few years ago because of our advanced

1 manufacturing technologies; and then, longer term, how  
2 do we make sure that there is an ongoing supply of  
3 students that want to be dedicated to manufacturing  
4 industries? That is everything from your Ph.D.  
5 engineers and scientists, right down to the folks that  
6 work on our shop floors but need to be able to operate  
7 really sort of higher-level technology manufacturing  
8 equipment. So that kind of frames the issues.

9           What we've learned in this, is that any  
10 recommendations that we would propose have to have a  
11 number of underlying principles, the fact that  
12 solutions have to be both publicly and privately  
13 driven. It doesn't work if only one of those two  
14 groups of stakeholders come to the table.

15           Secondly, we're going to need support and  
16 assistance from not just the Department of Commerce,  
17 but also the Department of Labor and the Department of  
18 Education. The exciting part of this is, it would  
19 appear that all groups really do understand the need  
20 and have a great desire to work toward a common  
21 solution.

22           I think we also need to make sure that  
23 whatever recommendations we put forth for the strategic  
24 component of this have to be ones that are sustained.  
25 If they only take effect for a few years, we aren't

1 going to truly get at that strategic component of the  
2 long-term workforce issues.

3 We also need to have metrics. Right now, on  
4 one hand there is an awful lot of resource that is  
5 being spent. I think what we've learned in this  
6 process is we're not sure it's all being spent very  
7 effectively. So the good news is, I don't think that  
8 any of our recommendations will come with a price tag.  
9 I think it's more about, how do we use what's already  
10 in existence far more effectively?

11 Right now, so many of the solutions or  
12 programs -- and one of the things I've learned since  
13 coming to Washington a few times now is, and what did  
14 Ron Bloom say this morning, that the hammer, the tool  
15 that is available is a program. So there seems to be  
16 lots of folks that want to put a program in to solve a  
17 solution.

18 The problem is, these programs, because  
19 they're so diverse and sometimes somewhat limited in  
20 scope, they're truly not affecting what is a national  
21 problem. What is gratifying in kind of a perverse way  
22 is that the problem that we have across the nation is  
23 very similar: it is a manufacturing problem. It's not  
24 a geographic problem, it's not a demographic problem,  
25 it's a manufacturing problem.

1           So the solutions, as long as they bring  
2 manufacturers to the table to participate in the  
3 resolution, it has to be supported by that entity.  
4 Frankly, we have to put out a call to action. Mr.  
5 McGregor is always--part of our subcommittee--a huge  
6 advocate that we need to bring the rest of the  
7 manufacturers into coming up with these solutions.

8           Back to the metrics piece. What we've  
9 identified, I think, is that although programs that  
10 exist today have some accountability and are working  
11 toward creating metrics, they are focused on the  
12 individual, not on the business. I don't know that a  
13 truly successful solution or recommendation can have  
14 just that focus. The metrics have to take both  
15 industry's needs into account and what is important in  
16 terms of a successful workforce and placement, as well  
17 as filling the needs of the individuals.

18           Then lastly, but certainly not least, is the  
19 structural impediments that currently exist in our  
20 education system that are sort of preventing us from  
21 getting over the skills gap. I think we've discovered  
22 that in our education institutions, a couple of things  
23 are going on. One, the way they're being funded  
24 through public funds actually inspires competition  
25 rather than cooperation.

1           The good news is, some of the recent grant  
2 opportunities that are being put forth are requiring a  
3 consortium-based approach. They're requiring  
4 partnerships with industry. Those are the kinds of  
5 things that we need to ensure are happening so that the  
6 solutions take those things into account, so rather  
7 than competing for funds they're working together to  
8 come up with solutions that are sustainable and broad-  
9 based in their approach.

10           Then we have to get at sort of the whole  
11 education component that says -- and it's sort of that  
12 applied versus basic science and research. I think the  
13 evidence suggests that applied learning methodologies  
14 are really the best way to get young people interested  
15 in math and science, and how do we make sure that those  
16 are the kinds of curricula that are part of our STEM  
17 initiatives and moving forward on how we're approaching  
18 this issue.

19           So that's it. Back to you, Mike.

20           MR. LASZKIEWICZ: Thank you, Mary. Just to  
21 close here, Bruce, here's our plan, unless you have a  
22 different direction for us. What Mary described is a  
23 brief summary of a framing document that we've used in  
24 preparation for writing our letter. Our next step --  
25 we've learned a lot in the last two days here, so we'll

1 be revising that framework. Our intent is to  
2 distribute it with a short survey. We learned a lot  
3 from the experience of the Competitiveness team in  
4 writing their letter, so before we actually draft our  
5 first draft we will provide the framing document to the  
6 Council membership with a short, three-question survey,  
7 to give everyone the opportunity, reviewing the  
8 framework, to give us their input. We'll be asking the  
9 committee for meetings then as we produce our initial  
10 draft and have a discussion following the process  
11 defined by the Competitiveness team.

12 CHAIRMAN SOHN: That sounds like a good  
13 process. Thank you.

14 MR. LASZKIEWICZ: Thank you.

15 Dr. Spriggs?  
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DEPARTMENT OF LABOR UPDATE

William Spriggs, Assistant Secretary for Policy

ASSISTANT SECRETARY SPRIGGS: First, I want to say how grateful I am that Mike, Mary, Jim, and Greg are such hard workers. They have really dug in. They've done a lot of work, a whole lot of work, so that the meeting yesterday with the Secretary went really well. It's very hard to master the speak of all these programs and everything, but the Secretary clearly could follow their conversation because it was in Department of Labor language. So, I definitely appreciate that.

I want to take a brief moment. Fifteen years ago this week, April 3rd, the Department of Labor lost its Secretary, along with several business leaders and a lot of friends of mine that were on the plane. I personally knew Ron Brown and I want to say, Nicole, since I personally knew Ron Brown, people often throw around things, but you certainly have earned the mantle, stepping in the way that you have, with all the trade trips that you've taken and everything that you've been doing to make sure that markets will be open for all businesses. I think that's one of the big marks that Ron Brown left, is that he really did try

1 and get small businesses, everybody, included--he just  
2 didn't want to take the big, fancy companies--and open  
3 up markets for us.

4 ASSISTANT SECRETARY LAMB-HALE: Thank you for  
5 that. That's quite a compliment. Thank you.

6 ASSISTANT SECRETARY SPRIGGS: So having said  
7 that, yesterday's meeting, I think, had a lot of  
8 successes. So let me report to you, Secretary Solis  
9 has offered that she is very willing and eager to do  
10 public pronouncements with members of the Council to  
11 encourage young people to seek out careers in  
12 manufacturing. So we want kids to know, whether  
13 they're pursuing Ph.Ds in engineering or whether they  
14 in a test program, that this would be a good place to  
15 go. So she is eager to follow up and figure out what  
16 is the best balance, but she would like to do that.

17 The meeting was also with our Assistant  
18 Secretary from Employment & Training, Jane Oates, who  
19 has met with you once before. Jane offered Jim  
20 McGregor that she would resolve his immediate need for  
21 workers and make the Employment Service do what it's  
22 supposed to do.

23 (Laughter)

24 ASSISTANT SECRETARY SPRIGGS: So Jim is going  
25 to report back to you after the next meeting to let you

1 know whether that happened. I want you to know, it  
2 wasn't an exclusive deal. Jim is, as you know, a very  
3 charismatic person, but it's not an exclusive deal. So  
4 please communicate with me if you want to put Jane to  
5 the test and see if we can't connect workers.

6 One of the things that became clear during the  
7 meeting is that the system doesn't function the way  
8 that we wrote it out. Jane understands that, so she  
9 wants to be part of this, per her hands in and find out  
10 why it's not working and see if she can't make it work  
11 for you. So the offer stands for all of you as well to  
12 make that happen.

13 And finally, I want to say thank you. I know  
14 that some of you on the Competitiveness Subcommittee  
15 thought it a big intrusion to have to listen to my  
16 colleague, the Assistant Secretary for Occupational  
17 Safety and Health, but I certainly do welcome that you  
18 had an open door. He has an open door and wanted to  
19 reassure you.

20 And I do want to thank you, Bruce, for your  
21 leadership in making sure that folks do get to talk  
22 directly to everyone. As I said, we knew you weren't  
23 going to end up saying, oh, we love OSHA, on to the  
24 letter.

25 (Laughter)

1           ASSISTANT SECRETARY SPRIGGS: But we do  
2 appreciate that you listened. It's clear from the  
3 changes that took place in the drafting that you were  
4 concerned about the accuracy that Bruce has asked all  
5 of you to have in what you're doing, so I appreciate  
6 that. Again, I do want to reassure you that in all of  
7 our processes, it is really true that we listen. The  
8 length of time that it takes to do an OSHA regulation  
9 is unbelievable because we have long, long listening  
10 periods built in. Please avail yourselves of that. If  
11 you actually follow from the announcement to do a  
12 regulation to the final regulation, I think you would  
13 appreciate that changes that do take place in the final  
14 regulation. But the invitation is there. Please, as  
15 always, give David Michaels a call. Thank you.

16           CHAIRMAN SOHN: All right. Any brief  
17 discussion in regards to workforce development?

18           (No response)

19           CHAIRMAN SOHN: All right. So let's move on  
20 to Energy. Fred?

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1 consider it a minor cost, others consider it major,  
2 obviously.

3           When you put into that equation, some use it  
4 as a feedstock, as us in the plastic business do, where  
5 it becomes 50 to 60 percent of your cost, it can be a  
6 very big element for us. If you're making plastics  
7 from natural gas, for instance, that's a feedstock for  
8 us and it's impacted by the cost of energy. So it's a  
9 complex business.

10           It has opportunities for us as we look at new  
11 markets. Energy efficiency, as was mentioned earlier,  
12 and in the area of renewable energy. Clearly for some,  
13 as in the Chairman's case, it is everything in terms of  
14 new business development. It is something that we as  
15 manufacturers need to weigh in on. We are in the early  
16 stages and we really want to listen. I'd like to have  
17 some dialogue this morning about what some of the key  
18 issues are around the table.

19           We have looked at three buckets that we think  
20 we might be looking at--energy efficiency, the  
21 regulatory area, and the clean energy standard--around  
22 which we can come up with some actionable items. But  
23 we'd like to listen a little bit around what it is that  
24 the rest of the Council members might have as  
25 priorities in this area. If it isn't today, it

1 certainly can be communicated throughout by either  
2 phone or email.

3           The recognition that the manufacturing sector  
4 is the largest sector in terms of consuming energy.  
5 About a third of the nation's energy is consumed in the  
6 manufacturing sector. Is that electrical energy only  
7 or is that all energy? It's stationary electric. But  
8 when you look at the fuel side, it gets very  
9 interesting also because we're impacted not only on our  
10 direct costs, but our indirect costs through the  
11 transportation side and our supply chain  
12 transportation. If you take all the supply of trucks  
13 and delivering products to us and from us, the numbers  
14 get pretty staggering in terms of our consumption of  
15 the nation's fuel resources for our uses. So, I've  
16 opened it up for dialogue from the Council.

17           CHAIRMAN SOHN: Certainly. Dave had made some  
18 comments earlier about the importance of including  
19 energy generation in manufacturing explicitly.

20           MR. KELLER: Yes. David is on our committee.

21           MR. LASZKIEWICZ: I just have a question.  
22 What's the definition of stationary energy?

23           MR. KELLY: So broadly you can say stationary  
24 energy generation and consumption, no matter what fuel,  
25 feedstock, or resource, and then there's transportation

1 fuels and electrification. So when the President says  
2 we're going to pursue clean energy sources, that is  
3 specifically addressing energy generation, stationary.

4 MR. LASZKIEWICZ: The reason I'm confused is I  
5 thought the numbers--it's not that much difference--the  
6 manufacturing sector could see about 33 percent of the  
7 U.S. energy.

8 MR. KELLER: I've seen numbers from 25 to 35.  
9 I chose a third.

10 (Laughter)

11 MR. LASZKIEWICZ: And then you introduced a  
12 term that I wrote here, a definition that I wasn't  
13 familiar with, because I always thought from previous  
14 reports that the number-one consumer within  
15 manufacturing is typically electrical, air-driven  
16 systems. Is that accurate? Fred, you talked about  
17 consuming energy in your product too, which I hadn't  
18 considered.

19 MR. KELLER: Well, I mean, it's the feedstock.  
20 So when you think of natural gas as our feedstock for  
21 power, it competes with the natural gas as a fuel.

22 MR. LASZKIEWICZ: Just one question on this.  
23 In that type of industry do you include energy as a  
24 component on your build material?

25 MR. KELLER: Oh, no. Well --

1           MR. LASZKIEWICZ: So it's considered an  
2 overhead expense.

3           MR. KELLER: Yes.

4           MR. LASZKIEWICZ: Okay.

5           MR. KELLER: Well, let me just clarify. The  
6 build material for the polymer, of course, is. But the  
7 polymer is there. But we don't consider that an energy  
8 subproduct at that point in time. It's converted to a  
9 polymer. But we do have lines for our electrical  
10 costs, and that's relatively minor compared to the cost  
11 of --

12           MR. LASZKIEWICZ: Okay. Thank you.

13           CHAIRMAN SOHN: Other comments from the  
14 Council for Fred and the team? David, did you have  
15 something else to add?

16           MR. MELTON: Sure. Just to expand on our  
17 discussion of how energy applies to manufacturing.  
18 Like Fred has said, there's the consumption side, so  
19 we're looking at the efficient use of energy as it  
20 comes into your facility, even going to the levels of a  
21 mini smart grid into your large, multi-acre facility  
22 where you're using the energy at the least cost as  
23 possible, most efficient as possible. That's new  
24 technology, that's new opportunity on your load side.  
25 You reduce your load, that drops the bottom line and

1 that's increasing your net profit right off the bat.

2           So that supports the national utility grid  
3 that is already strained. We all know that we have a  
4 fractionated utility system. You have multiple  
5 utilities and cohorts across the States, across the  
6 country. You have three large grids within the United  
7 States that are more or less separate, but for a few  
8 connections. Our power is the best in the world. We  
9 developed the utility, the electric industry, and  
10 that's how you've been able to grow. We also developed  
11 the oil production industry, and that's how you've been  
12 able to ship your product to market. We're the best in  
13 the world, so we've been doing it for a long time, 80  
14 years or more.

15           So you know that those engineers and  
16 businessmen have looked at all the opportunities to  
17 make and squeeze more efficiency out of their business,  
18 and that's what we're seeing. We'll look at that and  
19 see how it can help you on the cost side, but as I was  
20 mentioning earlier, and also in support of the  
21 President's letter that he just came out with, the  
22 manufacturing job opportunities on the clean energy  
23 production side.

24           We'll be asking you to look at your  
25 opportunity to generate your own power. They are also

1 helping the national grid network, which will slow down  
2 the production of greenhouse gases and other  
3 particulates. We've got a strong goal-generation  
4 hydronuclear industry that has got a lot of experience,  
5 but the rest of the world is looking at clean energy  
6 production. We don't want to miss this opportunity.

7 But the real consumer is the manufacturing  
8 industry. They're the largest load. We could do  
9 individual houses, but the impact, the economies are  
10 not there at your residence. The economies are there  
11 at your business. So, that is where we are going to  
12 need your support.

13 We don't want you to say I don't believe in  
14 greenhouse gas. It's not a religion, it's an issue.  
15 But we want you to look at it as, I can take care of my  
16 own self by having my own distribution energy system  
17 within my own control. Those are the opportunities  
18 that the clean energy industry is going to bring to  
19 you. All we're going to be asking is that you listen  
20 and that you just give them a few minutes to say, okay,  
21 okay, I'm super busy, what do you have to say? Show me  
22 how you're going to save me money, show me how you're  
23 going to make me money.

24 Those are the opportunities that the clean  
25 energy industry wants to present. But without you all

1 Fortune 50 corporations with your large-acreage  
2 rooftops, your large loads that will offset with  
3 distributed energy, with clean energy products, it  
4 won't take. It won't get any traction. It won't get  
5 any traction without the manufacturing support. It  
6 just won't work. So, it'll stay overseas. There are  
7 still 2 billion people that have to be provided  
8 electricity around the world, so not only is it here in  
9 the U.S., but there are markets all over the country.  
10 So I just want to put my two cents in and ask for your  
11 support. Thank you.

12 CHAIRMAN SOHN: Thank you.

13 Peter, I think you had some comments to add.  
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1                                    DEPARTMENT OF ENERGY UPDATE

2                                    Peter Weeks, Clean Energy Advisor

3                                    Department of Energy

4

5                                    MR. WEEKS: Briefly. I'll try and focus on  
6 just a few things. The President's remarks and sort of  
7 what they mean to DOE. Secondly, our capabilities at  
8 DOE, what we're going to offer the Energy Subcommittee.

9                                    My name is Peter Weeks. I'm Clean Energy  
10 Advisor in the Secretary's office, and for the Under  
11 Secretary of Energy. Henry Kelly is actually up on the  
12 Hill testifying last minute on biofuels, so another  
13 relevant topic.

14                                    At DOE and throughout the administration, we  
15 believe that new policy for the pursuit of new clean  
16 energy sources brings on opportunity: an 80 percent  
17 target for clean energy by 2035; one million electric  
18 vehicles within four years; a reduction by a third of  
19 oil imports; and then we also have some programs that  
20 have set some pretty high targets at DOE.

21                                    A few contextual things. I just came back  
22 from New York, and to David's point, there aren't a lot  
23 of companies right now without a clean energy or sort  
24 of alternative energy strategy, according to some who  
25 are doing some trading. They're saying, crane

1 manufacturers and crane makers are now not building  
2 bridges, but they're erecting wind towers. Glass  
3 manufacturers are looking at how they can pursue solar  
4 manufacturing and enter that space. So, figuring out  
5 from your perspective what those pathways look like is  
6 going to be critical as we move forward.

7 Contextually, recent reports over the last few  
8 quarters, or last year, show a \$240 billion clean  
9 energy industry. When you exclude R&D, it looks like  
10 about \$190 billion. That's global investment. Costs  
11 are coming down for solar and wind, so good solar and  
12 good wind are showing to be competitive with new build  
13 of fossil energy.

14 So once you go through all the regulations for  
15 both and you have to put the appropriate scrubbers on  
16 your facility as a fossil energy producer, it ends up  
17 being right around the same right now. That was  
18 staggering. We started to see that in the last few  
19 quarters. Those are global figures.

20 But here in the U.S., the goals that I laid  
21 out earlier are definitely opportunities for growth,  
22 including on energy efficiency. At DOE, there has sort  
23 of been a new mantra. We've announced a new  
24 initiative--of course, I know you're familiar with our  
25 Sunshine initiative--which basically says within seven

1 years we can pursue a dollar a watt, which is 7x, or  
2 130x the price of solar right now. But it's a dramatic  
3 increase in making these products cost competitive in  
4 the energy generation space.

5 We also have more opportunities for start-ups  
6 and commercializing technologies than ever before.  
7 Right now you can walk into one of our labs, and for  
8 \$1,000 and three or four weeks' worth of work, you can  
9 walk out with a few patents. That process has been  
10 dramatically improved from a year and something that  
11 costs in the neighborhood of \$50,000 for every company.  
12 So it's a blue light special in our labs.

13 (Laughter)

14 MR. WEEKS: But that's increasingly important  
15 for all of your companies as you pursue new R&D  
16 opportunities. I think it's something like 1,500  
17 technologies that are being offered up by all of the  
18 nation's energy labs.

19 In transportation, the President announced  
20 last week a clean energy fleet partnership with some of  
21 our nation's largest fleets to help reduce imports and  
22 greenhouse gas emissions.

23 Particularly on industrial efficiency, our ITP  
24 program is undergoing a restructuring as we speak. We  
25 have hired, or rather kindly persuaded, someone from

1 DARPA to come over and help with our manufacturing  
2 program. They're going to focus on a few key areas--  
3 new materials, composites, alloys, et cetera--that will  
4 help enable business and find ways to help businesses  
5 adopt new technologies.

6           On the energy consumption side, this is a  
7 response to whatever policy comes down the pike. We  
8 acknowledge that there are dramatic savings, but we  
9 also believe that there's an opportunity for job  
10 creation. Once you start making a plant more energy  
11 efficient, those computer systems, those wireless  
12 technologies, the insulation that goes into that is a  
13 job creator.

14           On the transportation side, we are definitely  
15 in pursuit of the goals the President has laid out. So  
16 what we've committed to Fred and Dan at the  
17 subcommittee are some working sessions when needed, but  
18 we definitely would love to have you over, and anybody  
19 else that wants to participate, to learn about the ITP  
20 program, learn about the transportation program, and  
21 give feedback to what we're doing. I think right now  
22 is a critical opportunity, as DOE looks at these goals  
23 and looks at the administration's policies and how we  
24 can work from the technology advancement side, we'll  
25 want your input.

1           CHAIRMAN SOHN: Thank you, Peter. Appreciate  
2 that.

3           MR. KELLER: Could I just make a compliment to  
4 the DOE, and actually to having all of our agencies at  
5 the table. It's just wonderful. It's great input and  
6 really enriches the dialogue for us to have that.  
7 Thank you for the leadership to make that happen.

8           CHAIRMAN SOHN: All right. Thank you very  
9 much.

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NEXT STEPS/FUTURE PLANNING

Bruce Sohn, Chairman

Joe Anderson, Vice-Chairman

CHAIRMAN SOHN: Joe, would you like to --

VICE CHAIRMAN ANDERSON: Sure. Along the same lines, I was on the OSHA call and I was a little bit worried there that we were going to lose the fact that this is a partnership.

(Laughter)

VICE CHAIRMAN ANDERSON: But we hung onto the partnership. I think that's important for all of us to recognize. I mean, those agencies are different agencies with responsibilities. As we find the Department of Commerce very supportive and trying to do their job, with Nicole, and Peter, and Jenna, and so forth, those agencies are doing the same.

So, let's keep in mind that we're all Americans and all working for the well-being of this country. We have different viewpoints on it, but it's very important. So, again, it's very, very good that we have been able to reach some consensus on the reports that were presented today, although I think part of it is that Jenna just wears us out with calls until we just can't talk anymore.

1 (Laughter)

2 VICE CHAIRMAN ANDERSON: But again, to the  
3 Council and the committees, it's very important.  
4 Speaking of that, there is going to be a lot more  
5 information coming out relative to workforce readiness,  
6 energy and so forth, the Colombia presentation and so  
7 forth, so just recognize that that's the nature of the  
8 beast and be prepared for that.

9 Just as Dr. Spriggs pointed out, with the  
10 Secretary of Labor, public service announcements and  
11 other activities, I think, are a good vehicle for us  
12 and we'll be getting more and more interactions along  
13 those lines, so we look forward to that.

14 One other item. The Manufacturing Council  
15 website is just on the verge of being relaunched, and  
16 so we'll get an announcement from Jenna or Mike about  
17 that. So, anticipate that that will be coming forward  
18 and we can share that and refer people to it.

19 Then lastly, we are anticipating our next in-  
20 person meeting to be in late July, and likely in  
21 Oregon. So kind of pencil a hold on the 21st or the  
22 28th of July and we'll get that finalized and confirmed  
23 for everybody to lock in and get there.

24 MR. ARGUELLO: You can't make it the first  
25 week of August?

1           VICE CHAIRMAN ANDERSON: We're working all the  
2 calendars.

3           (Laughter)

4           CHAIRMAN SOHN: Okay. Any other items? Mike,  
5 Jenna?

6           MR. MASSERMAN: Just one thing that Nicole had  
7 wanted me to mention. Sorry, she had to duck out. But  
8 I know that many of you have been engaged with Brian  
9 Erwin, Director of our Advocacy Center. I know he's  
10 very keen to be able to talk with all of you, both  
11 large and small companies, about the service that  
12 they've got. So to the extent that you haven't had a  
13 chance to reach out to Brian, please let us know.

14          MS. PILAT: Then in your briefing books, from  
15 the call of USTR that we had, we offer material on the  
16 Trade Compliance Center, which can handle inquiries and  
17 requests for assistance with trade agreement  
18 compliance. There is a pamphlet in your briefing  
19 folder about that. Then also, all of the information  
20 that we've been able to put our hands on since last  
21 night on the Colombia announcement, in terms of fact  
22 sheets and the plan forward, is also in your folder.

23          CHAIRMAN SOHN: Okay. Thank you very much.  
24 Thank you to everybody for traveling here, and for the  
25 contributions not only during the Council meeting, but

1 the subcommittee meetings, the telephone calls, and so  
2 forth. The participation has just been fantastic.  
3 Thank you very much.

4 This meeting is a wrap.

5 (Whereupon, at 11:32 a.m. the meeting was  
6 adjourned.)

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## C E R T I F I C A T E

1  
2 This is to certify that the foregoing  
3 proceedings of a meeting of The Manufacturing Council,  
4 held on Thursday, April 7, 2011, at the U.S. Department  
5 of Commerce in Washington, DC, were transcribed as  
6 herein appears, and this is the original transcript  
7 thereof.  
8  
9

10 LISA L. DENNIS, CVR

11 Court Reporter  
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