

WRITTEN STATEMENT ON THE COMMERCE DEPARTMENT'S
FY 2008 BUDGET BY COMMERCE SECRETARY CARLOS GUTIERREZ
SENATE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE,
SCIENCE, AND RELATED AGENCIES

Madam Chairman and Members of the Subcommittee, I am pleased to appear before you today to present the President's Budget request for the Department of Commerce. Our request of \$6.55 billion in discretionary funds reflects a balance between the Administration's commitment to promote and sustain economic growth, and the need to restrain discretionary Federal spending. Enactment of this budget will enable the Department to continue to support the innovative and entrepreneurial spirit of America and increase our competitiveness in the international marketplace.

The President's FY 2008 Budget request of \$3.82 billion for the National Oceanic and Atmospheric Administration (NOAA) reflects the Administration's commitment to environmental stewardship. NOAA encompasses the National Weather Service, which provides critical observations, forecasts and warnings; the National Environmental Satellite, Data and Information Service, which provides timely global environmental satellite data; the National Marine Fisheries Service, which provides stewardship of the nation's living marine resources and their habitat; the National Ocean Service, which measures and predicts coastal and ocean phenomena; the Office of Oceanic and Atmospheric Research, which provides research for understanding weather, climate, and ocean and coastal resources; and the Office of Marine and Aviation Operations, which operates a variety of aircraft and ships providing specialized support for NOAA's environmental and scientific missions.

This budget request includes increases of \$123 million for projects that will advance ocean science and research, protect and restore sensitive marine and coastal areas and ensure sustainable use of ocean resources. These initiatives will further the Administration's commitment to make our oceans, coasts and Great Lakes cleaner, healthier and more productive, as reflected in the U.S. Ocean Action Plan and creation of a Cabinet-level Committee on Ocean Policy.

The increases for ocean science and research include \$20 million to implement the Ocean Research Priorities Plan, \$16 million to support the Integrated Ocean Observing System, and \$8 million to define the outer limits of the U.S. extended continental shelf.

The increases to protect and restore coastal and marine areas include \$8 million for management of the newly-designated Northwestern Hawaiian Islands Marine National Monument, \$10 million for restoration of nearly 1,000 miles of habitat for the endangered Atlantic salmon in the Penobscot River watershed, \$15 million for the Coastal and Estuarine Land Conservation Program, and \$5 million for the implementation of coastal resource priorities identified by the Gulf Coast States.

The increases for ensuring sustainable use of ocean resources include \$20 million to improve fishery management, including \$6.5 million to implement the newly-reauthorized Magnuson-Stevens Act. An additional \$3 million will support development of offshore aquaculture, for which the Administration has proposed legislation to establish clear regulatory authority and permitting processes.

The President's FY 2008 Budget also continues support for development and acquisition of geostationary and polar-orbiting weather satellites, for climate research programs, and for high priority weather forecasting endeavors including improvements to hurricane modeling and tsunami warning systems.

The Economics and Statistics Administration (ESA) promotes the understanding of the U.S. economy and its competitive position. Under ESA's umbrella, the Bureau of Economic Analysis (BEA) provides key objective data, including the Gross Domestic Product, on the nation's economic condition in a timely and cost-effective manner. The President's FY 2008 Budget requests \$85 million for ESA Headquarters and BEA to provide statistics that are critical to public and private sector decision-making. This request includes an increase of \$2 million to measure the impact of research and development along with other knowledge-based activities on economic growth.

ESA's Census Bureau is the leading source of quality data regarding the Nation's population and economy, and the President's FY 2008 Budget requests \$1.23 billion in discretionary funds for the Census Bureau. This includes a program increase of \$325 million for Periodic Censuses and Programs. Of this increase, the largest component is \$281 million to continue reengineering the 2010 Decennial Census to reduce operational risk, to improve accuracy and relevance of data, and to contain total costs and provide for the 2008 Census Dress Rehearsal. Another program addition includes \$43 million to support collecting and processing data from the 2007 Economic Census. Also included is an \$8.1 million initiative to provide quarterly and annual coverage of all 12 service sectors, matching the coverage of the quinquennial Economic Census. This will greatly improve understanding and tracking of economic developments in the service sector, which currently accounts for 55% of Gross Domestic Product.

The International Trade Administration (ITA) supports U.S. commercial interests at home and abroad by strengthening the competitiveness of American industries and workers, promoting international trade, opening foreign markets to U.S. businesses, and ensuring compliance with domestic and international trade laws and agreements. The President's FY 2008 Budget requests \$412 million for ITA to serve its goals, including an increase of \$1.3 million for monitoring and enforcement of compliance with Free Trade Agreements, concluding the Doha Round of World Trade Organization (WTO) negotiations and reducing market access barriers through relevant WTO committees.

The Economic Development Administration (EDA) supports America's regions in their growth and success in the worldwide economy. The President's FY 2008 Budget requests \$203 million for EDA to carry out its mission effectively.

The Bureau of Industry and Security (BIS) regulates the export of sensitive goods and technologies to protect the security of the United States. The President's FY 2008 Budget requests \$79 million to enable BIS to effectively carry out this mission. This request reflects greater efficiencies from the consolidation of administrative services and increased use of information technology in handling export applications, resulting in savings of \$1.5 million from the President's FY 2007 request adjusted for inflation.

The Minority Business Development Agency (MBDA) focuses on accelerating the competitiveness and growth of minority-owned businesses by assisting with economic opportunities and capital access. The President's FY 2008 Budget requests \$29 million to support MBDA's programs and expand the availability of services to minority business enterprises.

The President's FY 2008 Budget request of \$641 million for the National Institute of Standards and Technology (NIST), a part of the Technology Administration (TA), will advance measurement science, standards, and technology. NIST's activities provide key support for the Administration's American Competitiveness Initiative. This budget request includes a \$69 million increase for NIST laboratories, National Research Facilities, and Construction and Major Renovations. Of these funds, \$47 million are proposed to support critical improvements to NIST's research laboratories in Boulder, Colorado and the NIST Center for Neutron Research in Gaithersburg, Maryland, while \$22 million are proposed to support research programs in nanotechnology, quantum information science, climate change measurements and standards, disaster-resilience of structures and earthquake hazard reduction.

The Under Secretary for Technology (TA/US) currently provides policy guidance to the Secretary of Commerce and the Technology Administration's component agencies (NIST and NTIS). Technology plays a critical role across every sector of the economy, and the promotion of technology in advancing America's competitiveness has become an integrated part of the mission across the bureaus of the Department. In keeping with this evolution, the President's FY 2008 Budget proposes to modernize the Department's approach to technology policy by elevating those activities to the Secretarial level. This modernization includes the appointment of a senior advisor in the Department's Office of Policy and Strategic Planning who will chair a Department-wide Technology Council to coordinate technology policy activities across the Department in lieu of a stand-alone Technology Administration. The request of \$1.6 million provides resources for the orderly transition of TA/US to the new coordinated structure.

The National Technical Information Service (NTIS) collects and preserves scientific, technical, engineering and other business-related information from Federal and international sources and disseminates it to the American business and industrial research community. NTIS operates a revolving fund for the payment of all expenses incurred and does not receive appropriated funds.

For the National Telecommunications and Information Administration (NTIA), the President's FY 2008 Budget request includes \$19 million in discretionary budget

authority. During FY 2008, NTIA estimates obligating \$534 million from the Digital Television Transition and Public Safety Fund to support several programs created by the Deficit Reduction Act of 2005, most notably \$426 million for the Digital-to-Analog Television Converter Box Program. Following enactment of the Call Home Act of 2006, up to \$1 billion will be awarded in FY 2007 to qualified applicants in the Public Safety Interoperable Communications Grant program, though outlays will continue over several fiscal years.

Furthering the mission to promote the research, development, and application of new technologies by protecting inventors' rights to their intellectual property through the issuance of patents, the President's FY 2008 Budget requests \$1.9 billion in spending authority for the U.S. Patent and Trademark Office (USPTO). The USPTO will use these funds to reduce application processing time and increase the quality of its products and services. This includes \$36 million to hire new examiners to improve processing times and increase the quality of its services. Consistent with prior years, the Administration proposes to fund the USPTO budget exclusively through offsetting fee collections. Fee collections for FY 2008 are projected to cover the proposed increases.

The USPTO, the National Intellectual Property Law Enforcement Coordination Council (NIPLECC), and ITA participate in the Strategy Targeting Organized Piracy (STOP!) initiative's goal of ending trade in counterfeit goods. This initiative places additional intellectual property experts in high priority markets, trains foreign government officials in intellectual property protection, and educates foreign publics about the importance of intellectual property. STOP! also provides resources for harmonizing patent laws, and for supporting the negotiation of intellectual property sections of free trade agreements.

Today, I would like to show how diverse components of the Department contribute to innovation and competitiveness. Many people see the Department of Commerce as a conglomerate with diverse and distinct missions. While the Department's bureaus encompass broad, but distinct, areas of the American economy, their core mission is U.S. competitiveness.

Innovation is essential to competing globally and enhancing our quality of life. This is increasingly important as political and technological changes open access to the global economy – creating both new markets and increased competition. The Department of Commerce is well positioned to help America address this challenge.

There are many areas across the Department where we are working on different aspects of competitiveness. Technological innovation is one of this Nation's most significant competitive advantages. The Department promotes and protects technological innovation through the efforts of its bureaus. A prime example is Global Positioning System (GPS) technology. Highly accurate timekeeping is a crucial element of GPS. The Department's National Institute of Standards and Technology (NIST) invented the core GPS timekeeping technology – the world's first atomic clock – in 1949 and continues to make significant improvements in its accuracy.

GPS is made up of more than two dozen satellites in medium Earth orbit, which transmit signals that allow GPS receivers to determine location, speed and direction. Since the launch of the first experimental satellite in 1978, GPS has become a vital tool to governments, businesses, and private citizens worldwide. Its navigation capabilities are indispensable not only to the airline and shipping industries, but also to many Americans who now have personal GPS devices that they use in their cars, on bikes, and while camping and hiking.

As the timekeeping technology improves, so do the navigation capabilities of GPS, expanding its uses into more areas. Currently, NIST operates the world's best standard atomic clock, NIST-F1, with an accuracy equivalent to about one second in 70 million years. NIST scientists are developing new atomic clocks that will soon be accurate to one second in many billions of years. NIST also is pioneering new approaches to atomic timekeeping such as the chip-scale atomic clock, which could dramatically improve GPS receiver performance and impact many other technologies.

In addition to developing technologies underlying GPS, the Department, through the United States Patent and Trade Office (USPTO), protects individual and corporate inventors of GPS technology. In exchange for this protection, inventors are required to share information about their inventions, allowing others to build upon them and create further innovations. Taking GPS as an example of how well the patent system encourages innovation, the USPTO issued over 800 GPS-related patents in 2006 alone.

The Department, through the USPTO, also helps protect both GPS manufacturers and the public by registering trademarks. Manufacturers rely on trademark protection received from registering their trademarks with the USPTO to prevent others from marketing products under their good names. The public relies on trademarks as an assurance of the quality and source of the products they purchase.

The Department understands that GPS and other technological innovations are critical to making the U.S. more globally competitive. As such, the International Trade Administration (ITA) works closely with the United States Trade Representative to develop Free Trade Agreements (FTA) that will eliminate duties on GPS receivers and transmitters in all FTA countries. This will expand opportunities for U.S. businesses, allowing them to export these GPS technologies to FTA countries duty-free. ITA, along with NOAA and the National Telecommunications and Information Administration (NTIA), is also taking the lead in trade discussions with Europe to maintain a level playing field as Europe's upcoming Galileo system enters the satellite navigation market.

Additionally, ITA's U.S. Commercial Service assisted iSECUREtrac Corp, based in Omaha, Nebraska, with a contract for the sale and installation of the first ever state-of-the-art Canadian-based GPS host monitoring system capable of serving the mission critical offender monitoring requirements of every Canadian Province.

As trade barriers are reduced and technology transfer becomes more seamless across the globe, GPS technology is increasingly disseminated worldwide for both civilian and

military use. The Department's Bureau of Industry and Security (BIS) oversees and implements regulations that clearly distinguish between military and civilian GPS user equipment to foster economic growth in the U.S. GPS manufacturing industry while protecting U.S. national security. These regulations define, identify, and distinguish military receivers, encryption devices, and GPS components with missile or certain defined airborne applications from their civilian counterparts. These controls have helped accelerate U.S. industry's exports to foreign GPS markets and have enabled the U.S. GPS manufacturing industry to retain a large share of those markets.

Prior to September 1991, most GPS user equipment shipped abroad required individual validated licenses to ensure compliance with U.S. export control regulations. Under current regulations, civilian GPS receivers, other satellite equipment, and associated telecommunication equipment are allowed to be shipped, with certain restrictions, to most destinations without a license. However, BIS has implemented stringent regulatory controls to prevent transfer of GPS equipment to terrorist-supporting countries, as well as to those end users known to be involved in proliferation activities. These export license applications are closely scrutinized and vetted in an interagency review process coordinated by BIS.

Beyond making GPS work better, helping facilitate the success of U.S. businesses in the global marketplace, and ensuring that the global spread of GPS technology will not endanger our national security, the Department utilizes advances in technology to significantly improve how we conduct business – making our processes more efficient. For example, the Census Bureau launched a reengineering effort in preparation for the 2010 Decennial Census that centered on using technology to improve processes and keep down overall lifecycle costs. GPS technology is critical to the success of this effort. The first step involves collecting the GPS coordinates of streets, county by county, across the Nation. This multi-year effort will be completed in 2008, giving the Census Bureau an accurate database for the country. This database, the Topologically Integrated Geographic Encoding and Referencing system (TIGER), will then allow personnel operating in the field to know their relative position – a critical aspect of finding the right housing unit.

GPS-equipped handheld computers (HHCs) will be used for data collection in several major field operations during the 2010 Decennial Census. During the address canvassing operation, the HHCs will be used to record GPS coordinates for every structure, including newly identified addresses. Later, using GPS, the HHCs will enable staff to conduct data collection for the non-response follow-up operation, allow for the removal of late mail returns, and record daily payroll for all census enumerators. The use of GPS technology will result in improved productivity and reduced errors.

The Economics and Statistics Administration is building measures of innovation in the economy generated by such technological advancements as the GPS-equipped HHCs. Similarly, the Bureau of Economic Analysis is refining its ability to measure the impact of research and development on the economy.

In addition, NOAA uses GPS to navigate its fleet of ships; enforce fishery boundaries in open waters to prevent overfishing; survey the Nation's coastlines, waterways, and airport approaches; and make improved weather forecasts. NOAA also provides a public service to the Nation known as the National Continuously Operating Reference Station (CORS) network. The CORS network consists of over a thousand GPS tracking stations that enable users to refine GPS measurements down to the centimeter level, which is particularly important for measuring real estate boundaries, positioning bridges and roads, and doing other geospatial work.

Conclusion

The Department of Commerce's development, promotion, and advancement of GPS technology demonstrates how the Department successfully encourages innovation to create economic growth without sacrificing our national safety. It also illustrates that Commerce is a diverse group of agencies, with varied expertise and differing needs, all engaged in a common commitment to keep the United States at the global forefront of competitiveness and innovation. This is the way we at the Department do business every day – working together, across disciplines, making real, positive, and sustained impacts on the American economy.

The President's FY 2008 Budget effectively meets those needs, while exercising the fiscal restraint necessary to sustain our economic prosperity. I look forward to working with the Committee to keep our Nation's economy growing and strong, and to promote and preserve the American people's entrepreneurial spirit.