



MEETING REPORT

MIDDLE CLASS TASK FORCE MEETING: MANUFACTURING
Washington, DC
December 16, 2009

I. Remarks of Secretary of Commerce Gary Locke

Well, thank you, everyone, for joining us. I want to thank Vice President Biden for convening this middle class task force focused on revitalizing American manufacturing. It's a subject of vital concern to all of us in the Administration as well as all of those gathered here this afternoon.

In America, manufacturing has long been a vital source of innovation and most importantly good family waged jobs. In fact, total compensation for the average manufacturing employee is 22 percent more than the average service sector worker. And that manufacturing employee is more productive than ever before.

Today if our country's manufacturing sector were the sole measure of America's economy we would still represent the 9th largest economy in the world. Even so, we cannot ignore the fact that the share of manufacturing jobs in our economy has been declining for decades due to many structural factors, but also due to a misplaced belief in some quarters that America just didn't have to bother making things anymore.

To grow our economy we must revitalize and re-imagine America's manufacturing base and that is what this administration is committed to doing.

At the Commerce Department we are working everyday to jump start manufacturing with programs to improve manufacturers' efficiency and sustainability and therefore if they are profitable and viable they will hire more people. We have programs to help unlock the potential of promising new markets like clean energy and we have programs to expand exports of American-made goods by increasing access of U.S. companies to foreign markets all around the world.

I am excited to be here today and I look forward to a very vibrant discussion. And now I would like to turn it over to our Labor Secretary, Hilda Solis.

II. Remarks of Secretary of Labor Hilda Solis

Good afternoon. And thank you, Secretary Locke, for that introduction. I am also honored to be here today with my fellow members of the White House Middle Class Task Force to reaffirm the Obama Administration's commitment to a strong manufacturing sector as a vital part of both the American economy and the rebuilding of the American middle class.

We're making investments in our workforce, in our infrastructure, and basic search and development to help lay the foundation for a renewal in American manufacturing.

As the Secretary of Labor I am working to ensure that all Americans have access to good jobs, including the next generation of manufacturing jobs. Over the next few months we'll continue to roll out \$500 million in green job training grants from the Recovery Act paving the way for America to become a leader in the manufacturing of green and innovative products. Now is the time for America to seize the opportunity for a clean energy economy. These investments, as you know, will help American workers regain their footing and put them on a path towards the middle class with sustainable careers.

That's why our focus on manufacturing is so important. Because it's about helping the middle class. Our Vice President understands this. The last time we were together he said, and I quote, a strong middle class equals a strong America. You can't have one without the other. And I couldn't agree with him more.

We have done a lot of good work so far with the task force and I am delighted that the Vice President is willing to kick off this important conversation about renewing American manufacturing. He knows that manufacturing jobs are good middle class jobs. And he knows a renewed commitment to manufacturing is very critical as we work to create the 21st century economy that works for everyone. There is no stronger advocate for the revitalization of manufacturing than our very own Vice President.

It is now my honor to introduce the Vice President of the United States, Joe Biden.

III. Remarks of Vice President Joe Biden

Thank you, Secretary Locke, Secretary Solis. And thank you Larry Summers. Larry is sort of the intellectual engine of this whole operation, and I appreciate being able to work so closely with him.

Folks, there's an old expression attributable to G. K. Chesterton, the English essayist. He said that it's not that Christianity has been tried and found wanting; it's that it has been found difficult and left untried. Well, it's not that we have tried in the last 15 years to focus on manufacturing; it's that it's been found very difficult and it's been left untried. Well, we're going to try. That's why we have so many of your business leaders around here.

We understand at the outset – I want to make it clear – the government, the government is not picking winners and losers. The government cannot, cannot revitalize the manufacturing base of the United States of America. We can get out of the way. We can provide seed money. We can help. But it's all of you – business and labor – who are going to see that happen.

And I think it is really important to point out, although we in no way eschew service jobs – they are critically important to the economy and a major, major piece of our economy and future economic growth – but it's kind of hard for me to fathom how we're able to provide the kind of middle-class lifestyle and middle-class jobs without a revival in manufacturing in the United States of America.

And so it's – I'd say that we no longer are going to rely on an economy that only is, or primarily viewed as, promoting service jobs, which are critically important. President Obama and I fundamentally disagree with those who suggest that that is where the future lies. By combining the most talented workforce, the most entrepreneurial business instincts in America, the best universities in the world, with seed capital from the government, I don't understand why we can't once again produce cutting-edge technology that will create the 21st-century jobs that are here in America, not abroad.

We're going to have – we have strong competitors. Usually, we respond to competition and do better. There's no reason why we can't do better, why we can't produce what the world wants to buy.

There's a – I used to ride Amtrak all the time as a Senator for a number of years. And when you take Amtrak going north and you go across the Newark River, there is an old railroad bridge and it has a sign on it – the paint is fading. It says, Newark makes what the world takes. We've got to start making what the world takes. And you all in this room are the folks who know how to do that.

We firmly believe that we can provide some of the seed capital and ideas to help spur what all of you are fully capable of giving life to. That's why in February we

passed into law the Recovery and Reinvestment Act, which invested more than \$100 billion in innovation in health information technology, high-tech classrooms, a smart electric grid, high-speed rail lines, more energy-efficient homes, more fuel-efficient cars. Now we need to accelerate that work and make sure that the investment in the future turns into jobs for the future.

And that's why today we're proud to announce the Administration's framework for revitalizing manufacturing: a series of policies that we hope will help create the next generation of American manufacturing jobs and secure our competitiveness in the 21st century. To do that, we need to increase competitiveness of American companies. And one of the things we've learned in recent years is that competitiveness is made; it is not inherited.

In the Recovery Act, we took an important first step, in my view, a step forward in creating the tax credit for firms that build and equip factories in the United States that manufacture products related to wind energy, solar energy, battery efficiency, advanced transportation components, advanced energy transmissions. It's got a complicated name. It's called Section 48C Advanced Energy Manufacturing Tax Credit. But the idea is, quite frankly, very simple. If we're going to lead the world in production of clean energy shouldn't we build our capacity to make wind turbines, solar panels, and other components that are going to go into clean energy production?

Well, it turns out that our tax credit has been an overwhelming success. We receive many more qualified applications than we have the money to fund. And that's why today, as part of our framework, we're proposing a \$5 billion increase in funding for this initiative, tripling the investment we made through the Recovery Act, creating jobs in the short term and leveraging private investment for long-term growth. We're talking – we're talking about at least a \$15 billion total capital investment by bringing capital, private capital, off the sidelines and creating tens of thousands of new construction and manufacturing jobs.

We've seen similar examples in the Recovery Act investments already. Solyndra in California received \$535 million in loan guarantees to manufacture innovative solar voltaic panels, which has helped stimulate private investment of \$300 million so far. The A123 Systems in Michigan builds longer-lasting batteries, and they received more than \$250 million in Recovery Act grants and an equal amount in private financing – in private funding so far. And two U.S. companies will be among the top suppliers – that will be among the top suppliers of smart grid technologies to companies selected for the smart grid award. It's – Itron is one, for example. It's expanding to South Carolina, manufacturing – putting together a manufacturing facility where smart meters are made. And SEL is preparing for increased orders in a manufacturing plant in Pullman, Washington – in Washington State.

And nationally, smart grid grants were matched more than one-to-one by private investment. The federal government put up \$4 billion. Private investment, in these

tough times, came up with \$5.7 billion translating to \$9.7 billion in smart grid projects, stimulating orders and creating jobs and stimulating more investment.

Taken together, these investments help lay the foundation for a strong, vibrant, green manufacturing industry in the United States, one that can provide products that are in demand not only here but abroad.

And beyond that, our framework outlining seven additional priority areas – I'll mention only one: investing in the creation of new technologies and business practices. Now, if we're able to build this framework for success, there's no reason why American manufacturers can't once again create stable, good paying jobs – jobs you can raise a family on. There's no reason why our reconstructed auto sector can't once again produce cutting-edge automobiles that can dominate the world market over time. There's no reason why our idle factories can't throw open their doors and welcome new industries that are building those renewable energy infrastructures. There is no reason why U.S. firms can't capture a global market share in solar technology, in wind power, the smart grid, advanced batteries, nanotech, biotech, advanced medical devices, robotics, cyber production systems, and other innovative goods that we can't even imagine today.

Where is it written that says we can't do that? I don't get this. I don't get how we just – it's taken in so many sectors that somehow those new industries are going to be generated from abroad.

We can breathe new life in to a sector that has been beaten down and we're determined to do it. And I know it. It's already started. I've seen it.

Just a couple of months ago, in my home state of Delaware, a General Motors plant that employed up to 4,000 people at its peak on a daily basis had 1,009 – 1,700 employees at the time, shuttered its doors, eliminating almost 2,000 jobs that were the kind of jobs with a blue collar you could live on, raise a family on, have health care, live in a decent neighborhood, actually have a vacation, build our lives around.

Well, it was a sad day when those doors were shuttered, but I didn't show up last month to mourn the end of that factory. I was there to celebrate a beginning. Thanks to the Department of Energy loans and Recovery Act grants for vehicle electrification and an innovative company called Fisker Automotive, the plant was reopened in order to start producing the next generation of plug-in hybrid vehicles in America that get 100 miles to the gallon.

I love this story. I love this story because – it's not because it's my home state, not because the workers – many of whom I knew as kids growing up, who lost those jobs – not just because they are getting those jobs back, because they're going to hire back 2,000, not because of the inspirational story that it is all about. But what happened? We came up with less than a half-a-billion dollars, and they went out and risked another billion-and-a-half. They went out in the markets. They got the money.

That plant is open. And, God willing, that plant is going to begin to lead the way in new technologies, new automobiles, new creative automobiles, new automobiles people can afford. They are going to have a significant impact on our ability to regain market share around the world. It's going to take a while. We've been a long time in doing a lot of this.

Look, I hope that with today's framework we are going to be in a position where we're going to be able to do a lot more of what we've just begun. I don't want to overstate this. What we've done so far hasn't – has barely has broken the ice. We've got a long, long way to go. But I absolutely believe – maybe it's my, as one the of my critics said, my sense of American exceptionalism, for which I do not apologize – I just do not understand having traveled the world so many places and so many times why it is that we can't once again lead the world in manufacturing. I don't believe that. I believe it's totally within our capacity to do that.

And I want to make it clear: we understand, we are realistic – we understand that this government should not and is not going to be picking winners and losers. We are not a planned economy. We're not suggesting that. We are not suggesting that the answer to us being able to get there will be through federal dollars. But federal seed dollars, and a long-term commitment to encourage the behaviors in the manufacturing sectors we are talking about today, I believe will have a catalytic impact on whether or not we are going to get in the game and get off the sidelines.

You guys and women are the ones who are going to be doing it. We need your help. We need your advice. We need your innovation. We need your ingenuity. We know it's you. We know you are going to be the ones that are going to be taking the ultimate risks, and you're going to be the ones providing the ultimate product.

And so part of the purpose of this meeting today, led by my two colleagues and by Larry Summers, is to give us your input. What do you think we should be doing? We'll tell you what we think we should – we'll tell you what we've done, what we plan on doing. We'd like to hear from you, because, again, I just think you – I can't ever think of a time in American history when the American public has been challenged, when they have been given a fair and fighting chance, they've ever failed.

Again, I know that sounds so much like American exceptionalism, but I just think it's history. It's a story of the journey of our past. I think it's also a big part of our future. And so does the President.

So thank you all very much for being here. I apologize – I was in the Situation Room talking about another issue, foreign policy issue, and I apologize for being late. I know how busy you all are, including my colleagues in the Cabinet. So thank you very much.

And I am going to leave you to your devices, and hopefully this is the beginning of a realistic, conscious, and consistent path toward reestablishing a manufacturing base for future technologies here in the United States.

Thank you all very much.

IV. Discussion Summary

EXECUTIVE SUMMARY

- The group was unanimous in its support for a strong manufacturing sector.
- Participant comments centered on four areas of priority for public policy focus.
 - 1) Improved math and science education, technical training, and technology investments are needed to drive innovation in manufacturing.
 - 2) A level playing field and a focus on exports are necessary for to maintain international competitiveness.
 - 3) Regulations and incentives impact the business climate that drives growth in manufacturing.
 - 4) Small business manufacturers face unique challenges and opportunities.
- *Attendees:*
 - Vice President Joe Biden gave opening remarks, joined by Secretary of Labor Hilda Solis, and Secretary of Commerce Gary Locke.
 - The session moderator was Lawrence Summers, Director of the National Economic Council
 - Other Administration attendees were Ron Bloom, Senior Counselor on Manufacturing Policy, Jared Bernstein, Executive Director of the Middle Class Task Force and Michael Greenstone, Chief Economist, Council of Economic Advisors
 - Private sector attendees: David Cote (Honeywell), Robert McDonald (Proctor & Gamble), Martin Baily (Brookings), Stephanie Burns (Dow Corning), Scott Welsh (Mohawk Electrical), James McGregor (McGregor Metalwork), Shirley Ann Jackson (Rensselaer), Bruce Raynor (Workers United), Ronald Hall (Bridgewater Interiors), Dan Janka (MAG Industrial Automation Systems), Daniel DiMicco (Nucor), Josh Bivens (Economic Policy Institute), Jeffrey Turner (Spirit Aerosystems), John Faraci (International Paper), Elizabeth Schuler (AFL-CIO), Keith Wandell (Harley Davidson), Ed Hill (International Brotherhood of Electrical Workers), Robert Keegan (Goodyear)

DETAILED SUMMARY

Welcome from Larry Summers

- All gathered here today recognize the importance of the manufacturing sector. It provides good jobs with high wages, make substantial investments in R&D, supports productivity growth and promotes international trade. Manufacturing is central to our economic future.

- The question for this group is how to strengthen manufacturing and the American economy.
- All participants are encouraged to share their recommendations for policy improvements and focus.

Comments from participants

Overarching issue: Improved math and science education, technical training, and technology investments are needed to drive innovation in manufacturing.

- Jeff Turner, CEO of Spirit Aerosystems, articulated the importance of keeping employees working, even in the face of decreased demand. He argued that public training programs should be open to workers who take reduced shifts in addition to unemployed workers. Turner echoed the call of others for better technical training beyond vocational training.
- David Cote, CEO of Honeywell, highlighted the importance of math and science education. In particular he emphasized expanding training for engineers to encourage them to think about the broader manufacturing process from customer needs to the creation of a final product.
- Shirley Ann Jackson, President of Rensselaer Polytechnic, described the need for four kinds of infrastructure that propel innovation: physical, financial, business process and human capital. She emphasized that the human capital piece is critical; there would be no manufacturing without educated, trained workers. She also highlighted the importance of considering the connectivity of regulations, policy, and financial incentives and how they shape one another.
- Martin Baily, Senior Fellow from the Brookings Institution, emphasized the importance of training and said classroom training is insufficient and should be supplemented by job training and reinforcement of skills in the workplace. He called on the labor movement to be involved with both supporting workers and identifying ways to increase their company's productivity to increase its competitiveness in the global economy. He also spoke about the importance of technology investments to drive innovation. He said that an increase in the number of H1B visas would help qualified individuals join our work force.
- Stephanie Burns, CEO of Dow Corning, emphasized the importance of R&D and of retraining workers to maintain a consistently skilled workforce.
- Robert Keegan, CEO of Goodyear Tire Company, said that education and innovation go hand in hand and remarked that although US companies are

generating technological innovation, we aren't doing enough to keep up with other countries.

Overarching issue: A level playing field and a focus on exports are necessary for to maintain international competitiveness.

- Dan DiMicco, CEO of Nucor, emphasized the primary importance of removing onerous export controls, promoting access to foreign markets and improving the business climate for manufacturing. He emphasized that American companies will win 90 percent of the time when given a level playing field.
- Robert Keegan, CEO Goodyear Tire Company, emphasized the need for leveling the playing field, passing trade agreements, improving general trade policy, and establishing fair currency values.
- Robert MacDonald, CEO of Proctor and Gamble, recommended signing the outstanding free trade agreements, particularly with Panama and Colombia where P&G faces 15-20% duties on products. MacDonald opined against using corporate tax policy to incentivize companies to build plants in the US, remarking that factories will naturally locate close to their consumers. He also emphasized that foreign plants of U.S. based companies supported thousands of domestic jobs.
- Elizabeth Schuler, Secretary-Treasurer of AFL-CIO, emphasized the importance of resolving currency issues, passing trade agreements, strengthening enforcement, providing access to financing (especially to small businesses) and enacting a carbon tax.
- Jim McGregor, CEO of McGregor Metalwork, recommended two policy actions. First, improve enforcement of trade agreements and second, correct the trade imbalance with China.
- Dan Janka, President of MAG Industrial Automation Systems, emphasized the importance of reducing export controls and remarked that it was particularly hard to export machine tools to India and China.
- Keith Wandell, CEO of Harley Davidson, echoed the importance of eliminating trade barriers and tariffs, particularly in countries where we have pending FTAs such as Colombia, Panama and South Korea.
- Jim McGregor, CEO of McGregor Metalwork, highlighted the need for the government to study ongoing sector specific competitiveness issues in a more strategic way. He recommended that USTR, DOC and others collaborate to develop this capacity and track international markets and US competitiveness in specific sectors and subsectors. McGregor also expressed

concerns about small and medium manufacturers. He asked that larger corporations look about what they are buying to see if it can be purchased at home.

- Josh Bivens, Economist at the Economic Policy Institute recommended that the U.S. address currency manipulation, stating that since it is neither in the interest of foreign countries or the US to allow it to persist. Manufacturing in particular will be better off if the international currency regime improves.
- Bruce Ray, CEO of Workers United, emphasized the need to eliminate orthodoxy. He argued that trade agreements would not revive manufacturing on their own, that currency issues were important, and that government procurement was a source of opportunity.

Overarching issue: Regulations and incentives impact the business climate that drives growth in manufacturing.

- Jeff Turner, CEO of Spirit Aerosystems, commented on the importance of a stable and predictable policy environment for business.
- Dan Janka, President of MAG Industrial Automation Systems, mentioned the need for visa reform. Restrictions that prevent foreign business partners from travelling to the U.S. to seal business deals should be reexamined.
- Robert MacDonald, CEO of Proctor and Gamble, commented on the importance of policy certainty for businesses to build upon. He also remarked that there is a lot to like in the new manufacturing framework, including the support for innovation, training and infrastructure.
- Stephanie Burns, CEO of Dow Corning, explained that local skills, intellectual property protections, and business incentives drove her to locate a new \$5 billion investment in the U.S. after a thorough international search. She emphasized the importance of working with partners to help them understand the incentives are here at home rather than abroad.
- Scott Welch, CEO of Mohawk Electrical, emphasized the importance of small businesses in the manufacturing industry and recommended the simplification of government forms to encourage companies to take advantage of government incentives.
- Keith Wandell, CEO of Harley Davidson, called for lower tax rates for corporations.

- Elizabeth Schuler, Secretary-Treasurer of AFL-CIO, spoke about her support for the 48C tax credit and the idea of a National Infrastructure Bank.
- Robert Keegan, CEO Goodyear Tire Company, called for reforms that would allow pension fund obligations to be met more gradually.
- David Cote, CEO of Honeywell, expressed the need for cap and trade to drive demand for green products and create green jobs. The U.S. needs to drive demand to stay competitive in light of China's aggressive push for energy efficient products and services.
- Ed Hill, President of International Brotherhood of Electrical Workers (IBEW), remarked on the need for good paying green jobs.

Overarching issue: Small business manufacturers face unique challenges and opportunities.

- Ron Hall, CEO of Bridgewater Interiors, highlighted the growth of small minority businesses, and reinforced their their need for access to capital in tough economic times.
- John Faraci, CEO of International Paper, identified an opportunity to support the manufacturing industry by replacing government defense equipment. This could provide a large number of "shovel ready" orders. Faraci also noted that although the credit market has improved there are still barriers for small companies.

Concluding remarks

- Larry Summers, Director of the National Economic Council summarized by observing the participants agreed on the need to focus on credit and the business cycle, ensure the basic infrastructure is sound, improve the business climate and support innovation.
- Hilda Solis, Secretary of Labor, said she is focused on the need for job training and specifically, more access to on the job training. Secretary Solis mentioned the Department of Labor's efforts to support community college training programs and good vocational and technical schools. She committed to think about how to keep people on the job and doing training when there is less work.
- Gary Locke, Secretary of Commerce, emphasized that the Department of Commerce is focusing on many of the issues brought up in the discussion. One of the most significant is removing barriers to foreign markets. Secretary

Locke said the Administration is actively working on export controls and on reforms to high skill visa issues. Finally, Secretary Locke advocated for an energy policy to create predictability and certainty in the business environment.