

**Testimony of Dennis Hightower
Deputy Secretary of Commerce
before the
Subcommittee on Technology and Innovation
of the House Committee on Science and Technology**

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Chairman Wu and members of the Subcommittee on Science and Technology, I thank you for the opportunity to appear before you today to provide you with an overview of how this Administration and the Commerce Department plan to support the U.S. manufacturing sector. In particular, I will provide an update on the actions that Secretary Locke and I are taking to focus the capabilities of the Department of Commerce on supporting job creation and innovation, particularly among small and medium-sized manufacturers and entrepreneurs.

An Administration Focused on Recovery of the Manufacturing Sector

From the day he took office, President Obama has made exceptional efforts to provide immediate help to the small and medium-sized businesses that are the source of a significant number of new jobs in America. And with the naming of Ron Bloom as Senior Counselor for Manufacturing Policy and the recent release of a White House manufacturing strategy, he signaled that the revitalization of the U.S. manufacturing sector would be the key to the revitalization of the American economy.

As you are aware, it all began with the Recovery Act—which was essentially divided into three parts.

One third of Recovery Act funding is going directly to tax relief for families and small businesses. Another third of the money is being directed to emergency relief like additional Medicaid and unemployment insurance funding for those who have borne the brunt of this recession. The last third of the Recovery Act funding is for investments to put people back to work and lay a new foundation for long-term prosperity. These investments include vital infrastructure improvements like upgrading our roads and our bridges; and renovating schools and hospitals, as well as investments in things like renewable energy and broadband expansion. Already, upwards of \$140 million has been awarded to communities through the Department's Broadband Technology Opportunities Program (BTOP), which continues to fund broadband infrastructure, public computer centers, sustainable broadband adoption, and broadband mapping projects around the country.

Thanks to the Recovery Act, \$100 billion in funding and loan guarantees was set aside to encourage and support manufacturing in America -- much of which will assist smaller enterprises. With overall unemployment remaining at very high levels (10 percent) and

manufacturing employment continuing to fall,¹ I understand and share the frustration that the economy is not getting better quicker. But we should remember what the economy looked like at the beginning of 2009 when this Administration took office. Every day seemed to bring worse news. A severe recession had begun, and it was at great risk of turning into something even worse.

The Recovery Act – along with our other economic initiatives—has begun to stabilize economic conditions and help those harmed by the economic crisis. But the true measure of the Recovery Act and of President Obama's entire agenda will not be determined in just a few months. To put our economy on a sustainable path, we must make fundamental changes like we have not seen in America for decades.

One company I met during my travels retooled equipment designed to manufacture hulls for yachts to build wind turbine blades and take part in the burgeoning green economy. It is our hope and intention to replicate this kind of success with our manufacturing programs.

Focusing the Commerce Department to Better Support Manufacturing

While the Commerce Department's portfolio is diverse—from protecting America's oceans and intellectual property to improving companies' efficiency and opening up markets—our overriding mission is to improve the overall competitiveness of American business at home and abroad. The Department's diversity uniquely positions it to support businesses and entrepreneurs through every step of their lifecycle: from the birth of an idea, to the creation of a business, to global expansion—and at each step, the Commerce Department contributes to job creation and economic prosperity.

Innovation: At the innovation stage, Commerce brings tremendous value for the U.S. economy – whether in creating a business climate that supports the development of new inventions through the Patent and Trademark Office, spurring innovation in manufacturing through the Technology Innovation Program at the National Institute of Standards and Technology (NIST), or harnessing the vast economic potential of the digital economy at the National Telecommunications and Information Administration – Commerce is a critical player in supporting the creation of tomorrow's firms, industries, and jobs.

Commercialization: U.S. businesses and entrepreneurs rely upon innovations developed through the process of technology commercialization to develop new ideas into new products and services, which lead to economic growth and job creation. Commerce has a host of resources to drive this process – by exploring policies and initiatives to foster high-growth entrepreneurship through the Office of Innovation and Entrepreneurship, supporting regional innovation clusters through the Economic Development Administration, helping drive productivity through NIST's Manufacturing Extension

¹ Since the recession began, manufacturing employment has fallen by 2.1 million.

Partnership, and helping minority-owned businesses capitalize on their market potential at the Minority Business Development Agency.

Global Competitiveness: Once businesses have become established, the next stage is growth. With traditional engines of growth like consumer spending flagging, accessing foreign markets becomes increasingly important. The International Trade Administration, through its Manufacturing and Services unit, interfaces with manufacturers to understand impediments to the global competitiveness of U.S. businesses, such as market access barriers, while its Commercial Service unit assists businesses to expand their exports. In addition, our Bureau of Industry and Security enables export growth in a manner consistent with national security.

Environmental Stewardship: The National Oceanic and Atmospheric Administration ensures that business and economic activity is environmentally sustainable – and also ensures that businesses across the lifecycle have the benefit of its world-class research to guide and shape investments, particularly in the massive market potential in green and blue commercial sectors.

Statistical Infrastructure: Commerce also includes two of the premier statistical agencies in the U.S. Government within the Economics and Statistics Administration. The Bureau of Economic Analysis and Bureau of the Census track changes in the economy, which can be critical to helping businesses of all sizes and sectors understand their current and future markets.

Departmental Priorities

Given the diverse range of issues we confront and activities in which Commerce is involved, Secretary Locke has prioritized his emphasis on key areas with a focus on job creation and economic growth in the years ahead. In each in of these areas, support for small and medium-sized manufacturers is a key component.

- The first priority area is in boosting our country’s innovative capacity, with a particular emphasis on intellectual property and entrepreneurship to create a business environment that cultivates and rewards new ideas, technologies, products, and services.
- Second, Secretary Locke is committed to unlock the vast economic potential of the green and blue markets by helping to grow businesses that are based on clean energy and environmental conservation.
- Third, we are fundamentally focused on leveraging Commerce resources to generate growth by expanding exports through trade promotion efforts.
- Last, Secretary Locke and I are focused on transforming the Commerce Department into an integrated, efficient and effective service provider in supporting business competitiveness and job creation.

At this point I would like to highlight a few specific initiatives that illustrate how the Department will better serve small- and medium-sized manufacturers and entrepreneurs under these Departmental priorities.

Office of Innovation and Entrepreneurship: Under our “innovation” priority, we recently established the Office of Innovation and Entrepreneurship. In his Strategy for American Innovation, President Obama articulated his vision for innovation, growth, and jobs: “the greatest job and value creators of the future will be activities, jobs, and even industries that don’t exist yet today... It is imperative to create a national environment ripe for entrepreneurship and risk taking.” New businesses are the primary engine of job growth in the United States, with entrepreneurs creating approximately three million jobs a year. Firms less than five years old accounted for nearly all net new jobs in the private sector from 1980 to 2005.

Consistent with the President’s vision, the goal of the Office of Innovation and Entrepreneurship is to unleash the economic potential of new ideas by removing barriers to entrepreneurship and the development of high-growth and innovation-based businesses.

The Office will work closely with the White House and other federal agencies to:

- Encourage Entrepreneurs through Education, Training, and Mentoring
- Accelerate Technology Commercialization of Federal R&D
- Broaden Access to Capital for Entrepreneurs
- Improve Access to Government Resources for Entrepreneurs
- Explore Policy Incentives to Support Innovators, Entrepreneurs, and Investors
- Strengthen Interagency Collaboration and Coordination

The Office will also manage the National Advisory Council on Innovation and Entrepreneurship, which will advise Secretary Locke on key issues relating to innovation and entrepreneurship. It will include a range of stakeholders, such as successful entrepreneurs, innovators, angel investors, venture capitalists, non-profit leaders, and other experts on these issues.

Hollings Manufacturing Extension Partnership (MEP): MEP is a national network with hundreds of specialists who understand the needs of manufacturers. For the past 20 years, they have worked with thousands of manufacturers delivering \$1.4 billion in cost savings annually and \$9.1 billion in increased or retained sales in one year.

MEP provides companies with services and access to public and private resources that enhance growth, improve productivity, and expand capacity. We work with companies willing to invest in their future, to make improvements in the short term, and position themselves to be stronger long-term competitors both domestically and internationally. In his 2010 budget, the President proposed to double MEP funding over seven years, so its centers can expand their efforts to bolster the competitiveness of U.S. manufacturers.

Sustainable Manufacturing Initiative (SMI) and manufacturing.gov: Commerce is increasing efforts to encourage sustainable manufacturing and increase access to information on sustainable practices that can help companies reduce operating costs and help sustain or create jobs. We are expanding the www.manufacturing.gov website to

provide the most comprehensive, and current information on issues surrounding the competitiveness of American manufacturers and service industries. Through manufacturing.gov, companies can access the Sustainable Business Clearinghouse of all major federal programs that support sustainable practices. Additionally, we are organizing and leading tours of U.S. companies that showcase sustainable practices that can be used by small and medium-sized enterprises.

CommerceConnect: CommerceConnect is a signature initiative to realize our “more efficient and effective service provider” priority. We are transforming the way we engage with businesses and entrepreneurs, allowing them to engage with a single Department of Commerce, rather than twelve separate bureaus with their own myriad of programs. Here is what this will mean in practice:

- If a business is involved in a cutting-edge field like nanotechnology or developing solutions to fight climate change, our CommerceConnect staff will connect it with our world-class laboratories developing the standards, measurements and basic R&D for products and services that allow new industries to flourish.
- If a business has manufacturing facilities, we will link it with our Manufacturing Extension Partnership, which has experts who can come onto your shop floor and provide ideas to make your production line more efficient.
- If a business wants to start selling its products abroad, we will connect it with industry specialists from the International Trade Administration, including Commercial Service officers in any of 77 countries around the world who will tap their local contacts to find you new customers.

Three months ago, Secretary Locke kicked off a pilot CommerceConnect office just outside of Detroit, Michigan, to develop best practices in how to connect with businesses both directly – through on-the-ground experts that interact with business, assessing their needs and connecting them with the most relevant services – and virtually through a web presence and eventually an online tool that can be used by businesses.

In this short three-month period, we have worked with 25 businesses, successfully connecting them to a wide range of Commerce programs. For example, Commerce referred, Machine Tool & Gear, Inc. (MTG) of Corunna, Michigan, to the Michigan Export Assistance Center. MTG was assisted with their application to join a trade mission to help automotive suppliers seeking to develop business opportunities in Italy. MTG’s application was accepted and their company representatives were able to participate in an automotive trade mission to Turin, Italy, last month and will be following up on opportunities that were discussed. Also, CommerceConnect has helped connect Vogel Industries, located in Marine City, Michigan, to several Commerce programs, as well as local programs and other federal agency programs that have assisted them in registering for defense contracts, matching them with an opportunity that has helped them start engagements with peer suppliers involved in relevant joint ventures, and participating in an alternative materials workshop to find areas of opportunity for Vogel to diversify.

CommerceConnect has also made connections with businesses through the Patent and Trademark Office, the National Institute of Standards and Technology, the Minority

Business Development Agency, and other Commerce bureaus' programs and services. We have also reached out to include local Michigan economic development services as well as other federal agencies programs and services from the Small Business Administration and the Departments of Agriculture and Labor.

In the next three months, we will continue to refine the CommerceConnect approach and offer recommendations on the operational construct, procedures, processes and systems for maximum efficiency and effectiveness.

This concludes my statement. I will be pleased to answer any questions you may have.