

# MANUFACTURING & TECHNOLOGY NEWS

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## 'Fair' Traders Are Perplexed By Obama's Pick For USTR

President-elect Barack Obama's selection of former Dallas, Texas, mayor Ron Kirk as his United States Trade Representative has thrown the fair trade community for a loop.

Kirk, a lawyer with the respected Houston firm of Vinson & Elkins, has been a supporter of the NAFTA superhighway and of free trade, both of which have been held in low regard of late among recently elected populist Democrats in Congress, and even among some Republicans. Perplexing to many in the "smart" trade community is the fact that Kirk is perhaps the only

person in the new Obama cabinet who doesn't have experience in the area over which he will preside. The USTR might be considered a minor player among the administration's economic policy team, but not at this time in history, given the size of the trade deficit and loss of millions of U.S. industrial jobs that provide taxes to a government that is broke.

Most of those contacted by *MTN* over the past week did not know how the selection was made, and they were left scratching their heads. The speculation was that Obama's first pick for the job, Rep. Xavier

Becerra (D-Calif.), unexpectedly turned down the offer. Kirk was available. He had worked on the Obama campaign and has many of his same personal attributes as Obama. He is a self-made, extremely smart and articulate African American lawyer from humble beginnings.

Those in the trade community representing the interests of domestic manufacturers and labor organizations described the pick as being "odd," "mysterious," and "discouraging." They questioned why Obama would have chosen somebody without a rudimentary knowledge of trade issues or background in trade negotiations, during a period of global economic strife.

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## Mass Layoffs Plague Manufacturing Sector

The U.S. manufacturing sector is getting clobbered with almost a record number of mass layoffs.

Manufacturing workers continue to bear the brunt of mass layoff events, even though manufacturing employment has already declined by 20 percent in the past eight years. In November, there were 874 mass layoff events in the manufacturing sector, an increase of 239 from September, and more than double from the same month in 2007, when there were 414 mass layoff events impacting manufacturers, according to the Bureau of Labor Statistics.

Mass layoff events have almost doubled since July of this year, when there were 443 mass layoff events in the manufacturing sector. Manufacturing accounted for 39 percent of all mass layoff events in November.

There were 98,400 manufacturing workers kicked out into the streets in mass layoff events in November. This is

an increase of more than 11,000 workers from October and is up from 57,500 in July. Manufacturing workers represent 45 percent of the 212,000 total workers impacted by mass layoffs in November, even though manufacturing workers (at 13.168 million) represent only 9.1 percent of the total U.S. workforce (144.3 million).

The November numbers represent the fourth consecutive month of increases for both the number of events and the number of employees impacted. For the 11 months in 2008 ending in November, there have been 5,494 mass layoff events in the manufacturing sector, impacting 792,500 manufacturing workers. For all of 2007, mass layoffs impacted 616,000 manufacturing workers. The number of manufacturing workers impacted by mass layoffs has been increasing steadily and will quadruple since 2005.

In 2006, there were 582,000 manufacturing workers impacted by mass layoffs; in 2005 it was 223,058 workers; 2004, 254,427; 2003, 384,329; 2002, 454,034; 2001, 628,427; 2000, 488,070; and in 1999, 356,122 manufacturing workers were impacted by a mass layoff event at their factory.

## November Job Losses Are, Ooh

The November jobs report released by the Bureau of Labor Statistics on Dec. 5 stirred alarm in economic circles. The loss of 533,000 jobs in November, along with an upward revision to 320,000 jobs lost in October and 403,000 jobs lost in September, raised the threat of a "widespread depression [that] is now real and present," said University of Maryland economist Peter Morici.

The jobs report was "dismal," according to Bureau of Labor Statistics Commissioner Keith Hall speaking before the congressional Joint Economic Committee. "There's very little in this report that's positive. This is maybe one of the worst jobs reports the Bureau of Labor Statistics has ever produced," said Hall, according to a transcript of the event. Rep. Elijah Cummings (D-Md.) asked: "Ever?" "Yes," Hall replied. "And how long has the Bureau been around," Cummings queried. "One-hundred twenty-four years," Hall replied.

The loss of 1.9 million jobs in the past year has raised the official unemployment rate to 6.7 percent, but the unemployment rate which includes discouraged workers who have given up looking for jobs and those who are working part time and can't find full time jobs rose to almost 13 percent. "The real question is whether the economy is in a recession or depression," said Morici.

Recessions are self correcting, but not a depression, Morici noted. No matter how much money the federal government spends, it won't stir enough consumer demand for companies to start producing products. Worse, there is not much left of an industrial base to stimulate, since the country's trade deficit with China is close to \$1 billion a day. If the United States does not address the China deficit problem "any effort to resurrect the economy is doomed," says Morici. Fixing trade with China "will require a tax on dollar-yuan transactions if China continues to refuse to stop subsidizing dollar purchases of yuan to prop up its exports and shift Chinese unemployment to the U.S. manufacturing sector." If this doesn't happen, then there will be a second banking crisis "that the Treasury and Federal Reserve will not be able to reverse."

## 2009 Doesn't Look So Good For America's Workforce

Employees need to get ready for some tough days ahead, according to the Society for Human Resource Management (SHRM). In a survey of human resource managers, 60 percent said they expect their company or organization to lay people off in 2009, and 48 percent said they had layoffs in 2008. Most all of the layoffs will take place below the rank of top executives, with 13 percent of the layoffs involving unskilled workers, 11 percent involving administrative positions and 6 percent involving middle managers. "The weak economy and chaotic financial markets worldwide are hitting businesses hard and forcing them to make tough people decisions," says Laurence O'Neil, president of SHRM. Human resource managers say that their organizations are being impacted by decreased demand for their products (64 percent), volatility in the financial markets (38 percent), health care costs (34 percent), fluctuations in the U.S. dollar (28 percent) and restructuring (24 percent).

The U.S. economy has lost 1.9 million jobs, but by June of next year, that number "could very well surpass 3 million," says Gad Levanon, senior economist at The Conference Board. "The continued deterioration in the labor market will exert significant downward pressure on wages." The Conference Board's Employment Trends Index monitors eight labor market indicators. All eight are in decline: people saying it's hard to find a job; initial claims for unemployment insurance; percentage of firms with open positions; number of employees hired by temporary help companies; part-time workers; job openings; industrial production; and real manufacturing sales.

## Federal Budget Quickly Goes Bust

It has taken the first two months of the current federal fiscal year for the federal budget deficit to almost equal the total red ink for all of 2008, according to the U.S. Treasury Department. The \$401-billion deficit posted for the first two months of the 2009 fiscal year represents a record for a two-month period, says Treasury. The deficit in November was \$164 billion, followed by \$237 billion in October. The total 2008 federal deficit was \$455 billion.

The two-month deficit "is simply staggering," said Maya MacGuineas, president of the Committee for a Responsible Budget. If President-elect Obama pushes through an emergency stimulus package early next year, combined with the \$700-billion Troubled Assets Relief Program and a potential for a radical decrease in federal revenues due to the economic slowdown and mounting joblessness, the federal budget deficit for the full 2009 fiscal year could be beyond colossal.

**Table 4: Gross Cost, Revenues, and Net Cost**

Dollars in Billions	2008	2007	Increase	
			\$	%
<b>Gross Cost</b>				
DoD	\$ (767.6)	\$ (689.6)	\$ (78.0)	11.3%
HHS	\$ (769.1)	\$ (718.6)	\$ (50.5)	7.0%
SSA	\$ (663.9)	\$ (626.4)	\$ (37.5)	6.0%
VA	\$ (434.6)	\$ (63.1)	\$ (371.5)	588.7%
Interest on Federal Debt	\$ (241.6)	\$ (238.9)	\$ (2.7)	1.1%
Other Federal Agencies	\$ (1,014.8)	\$ (820.7)	\$ (194.1)	23.6%
<b>Total Gross Cost</b>	<b>(\$3,891.6)</b>	<b>(\$3,157.3)</b>	<b>\$ (734.3)</b>	<b>18.9%</b>
Less: Eamed Revenue	\$250.9	\$247.8	\$ 3.1	1.2%
<b>Net Cost</b>	<b>(\$3,640.7)</b>	<b>(\$2,909.5)</b>	<b>\$ (731.2)</b>	<b>25.1%</b>
Less: Taxes & Other Revenue	\$ 2,661.4	\$ 2,627.3	\$ 34.1	1.3%
<b>Net Operating Cost<sup>1</sup></b>	<b>(\$1,009.1)</b>	<b>(\$275.5)</b>	<b>\$ (733.6)</b>	<b>266.3%</b>

## Calif. Projects Shortage Of Educated People

California's need for college-educated workers is outpacing the state's ability to produce them and the gap is expected to widen in the future, according to the Public Policy Institute of California (PPIC). More than 40 percent of California workers will need a bachelor's degree in 2025 if current trends continue. "But changes in the workforce make this an unlikely outcome," says the institute.

The percentage of college-educated workers has increased from 28 percent of the workforce in 1990 to 34 percent in 2006, but that growth is expected to slow due to an aging population and an influx of Latinos, only 10 percent of whom had a bachelor's degree in 2006. That number is expected to reach 12 percent in 2020.

California is going to have too many uneducated workers for the number of jobs available, leading to lower wages. "The growing mismatch between the needs of the economy and the education levels of the workforce is likely to put pressure on state social programs, increase economic inequality and limit the path of the state's economic growth," says the institute in a study entitled "California's Future Workforce: Will There Be Enough College Graduates?"

## One Major High-Tech Trade Assn. Remains

Washington, D.C., has one less major high-tech trade association. The Information Technology Association of America (ITAA) has formally merged with AEA, formerly the American Electronics Association. The new merged trade group will now be known as the Technology Association of America. With the demise of so many technology trade associations over the past three years, the Technology Association of America will be the largest high-tech trade association in Washington.

"The merger, which will close by the end of the year, will give rise to a stronger voice for the technology industry by bringing together the largest number of tech companies throughout the United States," say AEA and ITAA in a joint statement. For the immediate future, the organizations will keep their offices (ITAA's in Rosslyn, Va.; AEA's in downtown Washington, D.C.), and staff cuts have not been indicated or announced. The leadership duties will be shared with ITAA president Phil Bond and AEA president Chris Hansen.

## The Hemorrhage Continues: U.S. Loses \$2-Billion Per Day

The U.S. trade deficit unexpected increased in October to \$57.2 billion, despite a sharp downturn in economic activity and a sharp decrease in the price of oil. But the persistent deficit of almost \$2 billion a day didn't stop the Bush administration's top commerce official from using the occasion to promote a free-trade agenda.

"American workers are the best in the world and when given access to new consumers in new markets, they compete and win," said Commerce Secretary Carlos Gutierrez upon release of the numbers. The trade deficit worsened by 1.5 percent during the month, which means that "Congress must act to open three key markets to American exporters by approving FTAs with Colombia, Panama and South Korea," Gutierrez insisted. "Global economic engagement through free trade agreements has proven to be one of the best ways to revitalize U.S. businesses and farms."

The deficit in goods increased by \$300 million to \$69.8 billion. Exports of goods decreased \$3 billion (to \$105 billion) and imports of goods decreased \$2.7 billion (to \$174.6 billion). For the first 10 months of the year, the trade deficit has reached \$591 billion and is on track to once again surpass \$700 billion.

The auto industry is being besieged by imported parts and cars. A total of \$19.1 billion in auto parts and automobiles was imported into the United States in November, \$6 billion more than the Big Three auto companies originally requested in emergency loans from the federal government. For the first 10 months of 2008, auto imports have exceeded \$200 billion.

"It is madness to allow the vast U.S. auto industry to vanish, but it is almost equally mad to think the industry can be viable without addressing complex issues of corporate globalization and 'free' market competitiveness," says economist Charles McMillion, president and chief economist of MBG Information Services.

The trade deficit with China in October was \$28 billion and for the first three quarters of 2009 China accounted for 59 percent of the U.S. total trade deficit in manufactured goods, an increase of 48.5 percent over the same period in 2007, according to the American Manufacturing Trade Action Coalition (AMTAC). For the first nine months of 2008, the trade deficit with China stood at \$203 billion out of a total U.S. trade deficit in manufactured goods of \$346 billion. This represents a staggering amount of wealth being lost every month, especially as the United States government will soon be borrowing (or printing) trillions of dollars to keep the country out of depression.

## U.S. Government Provides Billions To Boost Foreign Trade Rivals

The United States is running a trade deficit of \$700 billion, and a budget deficit of more than \$1 trillion this coming year, but the federal government is busy spending billions of U.S. taxpayer dollars building up its competitors in global economic markets.

The United States Trade Representative spent \$2.3 billion last year on its "Aid for Trade" program, an increase of 60 percent from 2007. "Since 2000, the United States has provided more than \$9.7 billion in total trade-related assistance to our less developed trading partners," said USTR Susan Schwab.

The program, known as "trade capacity building," should surge in funding to \$2.7 billion by 2010, "a commitment we made at the 2005 World Trade Organizations' Hong Kong Ministerial Meeting," said

(Continued on page four)



## New USTR...*(Continued from page one)*

"Nobody is painting this as one of the great nominations of this administration," said one Washington trade lawyer. "This sounds like patronage," said another.

The hope now is for Obama's USTR transition team to select strong deputies. But Kirk's appointment raises questions as to whether experienced people will want to work for somebody who has little trade knowledge and who will need to be "educated" on the intricate nature of trade negotiations. He must also be able to tactfully deal with potentially bruising ideological trade debates during what will be a period of the most intense scrutiny over trade policy in modern history.

People were looking on the positive side of the nomination. "I would say that at least he's not a theoretical ideologue who is convinced that free trade policy has to be continued in the maniacal fashion that so many previous holders of that office have held," said Auggie Tantillo, executive director of the American Manufacturing Trade Action Coalition. "There is hope that this nominee will have an open mind and will listen to all sides of an argument, which will be a significant improvement for U.S. manufacturing." Another Washington trade lawyer said: "There are a lot of people who would have been worse, such as the hard-line, free-trade ideologues who actually know what they are doing."

Bob Baugh, executive director of the AFL-CIO's Industrial Union Council, said he is taking a "wait and see attitude" over the pick. "I believe that a number of things that Obama said on the campaign trail have not changed — about taking a different outlook on [trade]," said Baugh. The economic and political situation has changed so dramatically "that trade policy cannot continue in the manner in which it has been pursued over the past two administrations."

Kirk will be pressed hard by Congress to step up the USTR's efforts in enforcement, for which there is a great deal of pent-up demand, particularly as the industrial heartland withers. Early tests may come when Congress begins pressing the USTR to revive the Section 301 of the Trade Act on Chinese currency and on Chinese workers' rights. The Obama team will also be judged early based on whether it decides to declare that China and Japan are manipulating their currencies, with the

scheduled April 15 release of the Treasury Department report on the subject. There is also concern that Kirk will not be an integral part of Obama's economic team at a time when trade policy needs to be interwoven with the investment and stimulus plans being proposed to revive the U.S. economy.

## USTR Candidate Didn't Quite Say What Everybody Is Saying He Said

The trade policy community was aflutter when it was reported that Rep. Xavier Becerra (D-Calif.) turned down President-elect Barack Obama's job offer of being the United States Trade Representative. The reason for his decision, as widely quoted, was: "I came to the conclusion that it would not be priority number one and perhaps not even priority number two or three."

But that quote was taken out of context, according to Becerra. ABC News, which published his comments, took them from an interview in Spanish that Becerra had with the publication *La Opinion*. "ABC News took only one paragraph and translated it and didn't translate the rest of the interview," said a Becerra aide. "What congressman Becerra said was that in the context of where this economy is and the challenges this administration is going to have to face, we're going to have to deal with the economic recovery, health care reform and Iraq, and in the context of all of those priorities, then trade was not going to be among the top three administration priorities when you look at the big picture."

The following day, the ABC News reporter, Teddy Davis, who "broke" the story, wrote on the ABC News blog: "The problem is that very few reporters in the English-language media can read in Spanish, and as we know, there are very few Latino reporters in the Anglo media. We understand that it's fairer to report the whole context of what Becerra said because, otherwise, it looks like a slap to the President-elect, instead of a reasoned decision."

He added that Becerra "qualified his statement — which I did not use in my story — by saying that he understood that Obama would have a broad list of priorities...It is obvious that Becerra thought that it would be better for him to stay in Congress, where he has a leadership position and seniority, in an important committee that deals with most of the legislative programs that have to do with money."

Becerra's aide said that Becerra should not have to explain whether Obama intends to make trade a priority, even if his remarks were taken out of context. "This is not his role to do that, it's the Obama administration and Mr. Kirk to do that," said the aide. "Frankly, that is something they should do."

## U.S. Boosts Rivals...*(Continued from previous page)*

Schwab. "This is another example of the ongoing U.S. commitment to promoting development and achieving a successful conclusion to the Doha Round of negotiations."

With by far the world's largest trade deficit, which many U.S. manufacturing executives point to as being the true cause for the financial and economic collapse, the United States remains committed to being "the largest single-country provider of trade related assistance, including development of trade-related physical infrastructure," said Schwab.

Amazing, say those in the United States whose companies have been disappearing due to surging imports. "These people just don't get it," says one Washington, D.C., trade lawyer representing domestic American producers. "Building capacity to make a Third World country an export-oriented economy has never worked. These people [like Susan Schwab] have been wrong for 20 years. They are proven failures. Yet they continue to control U.S. trade policy."

## PEOPLE

The chief of staff at the National Institute of Standards and Technology has decided to leave his post. Mat Heyman has accepted a job at U.S. Pharmacopeia (USP) to be in charge of external affairs and strategic integration. While serving at NIST for the past two decades, Heyman was in charge of public and business affairs as the agency was filling the vacuum of government programs aimed at improving U.S. industrial competitiveness. USP promotes standards and information on the proper use of pharmaceuticals.

The Association for Manufacturing Technology (AMT) has a new president. Robert Simpson has taken over the reins from John Byrd who retired after five years as president and is pursuing venture capital work in the field of medical equipment. Simpson, 48, has worked for 25 years in the manufacturing arena, having most recently served as corporate vice president and then president of global plastics machinery at Milacron Inc., of Cincinnati. Prior to that he was president of Siegel-Robert Automotive Inc. in St. Louis and has worked at Textron and TRW. AMT's search committee took eight months to find Simpson, "and we're confident that AMT will be in great hands for years to come," said Bradley Lawton, former AMT chairman who led the search committee.

The Copper and Brass Fabricators Council has a new president. David Hartquist, a partner in the law firm of Kelley Drye & Warren LLP, has taken over from Joseph Mayer, who is retiring from the post. Hartquist is in charge of Kelley Drye's international trade and customs practice and will continue as a partner in the firm. Mayer is also chair of the Department of Commerce's Industry Trade Advisory Committee on Nonferrous Metals and Building Products (ITAC-9), an unpaid position that he will continue to hold.

Bill Canis, former acting president of the National Manufacturing Institute, NAM's think tank, is looking for a job. "The job has been abolished," he says. Canis hopes to stay in the manufacturing community in Washington, D.C. Prior to joining NAM, Canis was in charge of government affairs for Caterpillar.

## Michigan's Woes Follow Gov. Engler To NAM

The "Voice of Manufacturing" in Washington, D.C., just lost a few decibels. The National Association of Manufacturers is going through the painful process of layoffs. "[T]he economic realities facing our members are impacting our budget and projections for the coming year," writes NAM president John Engler in a letter to his board of directors dated Dec. 2, 2008. "My experience has been that out of challenging economic times, the best-run companies emerge stronger with their foundations for success enhanced...So, today, I announced difficult but necessary actions to ensure that the NAM will remain your strong voice for manufacturing in the Capitol during this critical period of economic distress, policy reassessment and legislative activity."

Engler, former governor of the state of Michigan, is freezing all staff salaries, which should save \$500,000; he will cut travel and outside services by \$1.1 million, and will eliminate 17 positions to save an additional \$1.3 million, which happened to be his salary in 2007. "Today's actions have been difficult but necessary," he wrote to board members. "Reducing personnel is never easy. However, by acting now to reduce costs, we preserve our ability to provide you, our members, with critical services...Today has been a difficult day; however, your NAM is stronger because we have acted."

Engler broke the news at a policy staff meeting by reading the letter aloud, according to NAM staff. Those who were told to go are now gone. They were offered severance.

Various internal NAM policy divisions have also been merged, including International and Economic Affairs (headed by Frank Vargo) with Infrastructure, Legal and Regulatory Policy (headed by Rosario Palmieri). NAM's Energy and Resources Policy department (headed by Keith McCoy) will merge with the Human Resources Policy Department (Jeri Gillespie). The Tax department (headed by Dorothy Coleman) will merge with Government Relations (headed by Tim Lugbill). The staff was also reportedly told that their performance and positions will be evaluated every month. Here is an unofficial list of some of the NAM employees receiving pink slips:

- Jan Amundson, General Counsel
- Pam Roper, Sr. Executive Assistant in the Law Dept.
- Kathleen Snodgrass, Director, Government Relations, in the External Affairs Division
- Barry Buzby, Executive Director, State Associations Group in the Public Affairs Dept.
- Sean Grant, Policy Research Analyst
- Meredith Jessup, Manager, Advocacy and Policy Research
- Amee Short, Coordinator in the Human Resources Policy Dept.
- Maureen Green, Coordinator in the Tax, Technology and Domestic Economic Policy Department
- Mike Hambrick, Vice President of the Communications Div.
- Greg Wright, Corporate Communications Specialist in the Media Relations Dept.
- Jim Neill, Assistant Vice President in the Corporate Affairs Division
- Tiquisha Harris, Executive Assistant in the Allied Associations Division
- Melvin Watson, Sr. Production Specialist in the Administrative Services Dept.
- Gabriela Lane, Director of Field Advocacy in the Atlanta Office
- Sylvienne Duryea, Public Affairs Associate in the San Francisco Office.

# Respected Science Aide Jim Turner Will Retire From Congress

One of Congress's longest serving staff aides has announced his retirement from Congress. Jim Turner, chief counsel on the House Committee on Science and Technology, will leave his post on Dec. 31. Having served as a Democratic staff member for more than three decades — more than any Democratic member of the Science Committee — Turner is a unique person among congressional staffers: he's (sorry Jim!) an "old" guy — relatively speaking, of course, certainly not in his 20s — and was trained as a mathematician. Both attributes are rare on Capitol Hill. He is also a man of great fortitude and energy who has worked with two or three generations of another uncommon breed: American scientists who get involved in trying to set federal policy and promote funding for research, development, technology and engineering.

His longevity has served the Science Committee well. This was particularly true in 2006 after the Democrats regained the majority after 12 years of Republican control. "If we didn't have someone who knew what had happened before it would have been much more difficult to make the jurisdictional arguments we had to make" to work on the COMPETES Act and the Energy Bill of the last session, says Turner. "It's more than a Google search. You have to know what the real substance and real arguments are in order to make jurisdictional claims."

Having a long view on issues is one of the most important aspects for success on Capitol Hill, says Turner. "It's a place where if you hang in there for a number of years at a relatively young age, you can make a difference," he says. "Things do not happen quickly, but so long as the problem remains there are going to be opportunities to get there eventually."

In terms of advice for those considering working in Congress he says: "You have to realize that you are in a service profession and you have to realize you have the opportunity of a lifetime. I have had

any number of people tell me that it was the best job of their lives to work up here. It is one of the most rewarding ways that exists anywhere to serve your country. You can do amazing things on Capitol Hill that you never dreamed you would be able to do because you're tied into so many issues — there are a lot of things beyond getting legislation signed into law where you can really make a difference. So the best thing to do is to live life to the fullest when you're up here."

The partisanship that has defined Congress in recent years does not bother Turner too much. "It's natural," he says, especially when the two parties are close to numerical parity and the minority party is anxious to win back control. That is when it is harder to do things. But when it gets lopsided, as it is today with the Democratic majority, "the minority party does not have a whole lot of reason to kick up sand," says Turner. "When it gets closer and you have fundamental disagreements with the party in control, then what you're trying to do is to make sure there are not decisions made that you disagree with," he says. "We're moving back temporarily more to where we were in the 70s and early 80s and it may well be that the

margins are big enough that there will be working majorities here and things will go smoother."

There are not enough people in Congress — nor among the approximate 30,000 staff — with a technical background, says Turner. That needs to change. He says he was recently at dinner at the Board of Trade in Taiwan and was sitting next to a successful young entrepreneur who was getting a technical Ph.D. He said it was necessary in order to pursue elected office. In the United States such a person would go to law school. In Taiwan, they need a technical degree.

"If you're competing against that, I think it's important to have people with experience in the technical community because Congress is most effective when you have people on the inside who understand the people they are talking to," says Turner. "It's important to have a certain number of farmers and engineers." Yet during the entire history of the U.S. Congress, there have been fewer than 100 engineers elected to office, less than 1 percent of the approximately 12,000 people who have served in Congress since 1789.

Turner says he will stay engaged in the Washington science and technology community. He is on President-elect Obama's transition team for the National Institute of Standards and Technology. "There is a massive reshuffling going on in Washington," he says. "And I'm in the shuffle."

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## *EPA Holds Efficient Building Competition*

A government contest to design the best green building has been launched by the Environmental Protection Agency. The Lifecycle Building Challenge is inviting architects, product developers, environmentalists and students to submit designs for energy efficient buildings that minimize material waste. One goal of the competition is to reduce the 100 million tons of construction debris that is currently sent to landfills every year. The competition is open until August 30: <http://www.lifecyclebuilding.org>.

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## *NIST Seeks Ideas For Technology Funding*

The National Institute of Standards and Technology is asking the private sector and academia to submit ideas on critical technology projects that could be funded through its Technology Innovation Program. In a Dec. 16 Federal Register notice, NIST asked interested parties to submit white papers on technologies and societal challenges and how they might be addressed through a high-risk, high payoff technology development program. It is seeking ideas in the following areas: energy, water, manufacturing, civil infrastructure, complex networks, nanotechnology, personalized medicine and sustainable chemistry. The notice appeared in the Federal Register on Dec. 16, (Vol. 73, No. 242, page 76339).

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## Customs Advisory Board Continues With Zero U.S. Mfg. Representation

U.S. manufacturing companies have once again been shut out of one of the federal government's most important trade advisory groups. The Customs and Border Protection's Advisory Committee on Commercial Operations of Customs and Border Protection (COAC) has named seven new members to two-year terms; not one of whom represents the interests of American producers, especially not small- and medium-sized manufacturing companies that are going out of business faster than ever due to the overwhelming volume of imports.

"It is in Customs' best interest and the multinational corporations who want to control the agenda" not to include small- and medium-sized U.S. producers on the advisory board, said one person involved in trying to gain SME representation on COAC. The big importers, retailers, shipping companies, multinationals moving their production offshore, customs brokers and freight forwarders "are big enough, have lobbyists and the budgets to have people full time sitting on this committee making sure that nothing gets done that upsets their agenda," says the SME representative involved in Customs issues.

Over the next two years, COAC, which meets quarterly, is expected to address a variety of issues impacting U.S. producers including rules of origin, trade strategies, trade data initiatives, wood packing issues, import safety initiatives, determining the value of imports for tariffs, supply chain security, import modernization and automation, commercial enforcement, international treaties to harmonize customs practices and procedures, strategic planning and inspection issues.

The two new multinational representatives on the board come from Kraft Foods Global Inc. (Kenneth Roberts from Washington, D.C.); and Nike Inc. (Jeffrey Whalen from Beaverton, Ore.). Other newcomers to COAC are from:

- BDP International (Michael Ford from Philadelphia, Penn.);
- Roanoke Trade Services (Colleen Clark, Itasca, Ill.);
- Deringer Logistics Consulting Group (Robert DeCamp, Rouses Point, N.Y.);
- Drinker Biddle & Reath LLP (Karen Lobdell, Chicago, Ill.);
- Air Transport Association (Barbara Vatier, Wash., D.C.)

### COAC members returning for their second term are:

- APL Limited (Earl Agron, Oakland, Calif.);
- Sandler & Travis Trade Advisory Services, Inc. (Samuel Banks, Washington, D.C.);
- Braumiller Schultz & Co. (Adrienne Braumiller, Dallas);
- Chrysler (William Cook, Auburn Hills, Mich.);
- General Electric Company (Donald Huber, Ft. Myers, Fla.);
- ABF Freight System (Jevon Jamieson, Fort Smith, Ark.);
- Hasbro, Inc. (Barry O'Brien, Pawtucket, R.I.);
- C.H. Powell Company (Geoffrey Powell, Linthicum, Md.);
- Hewlett-Packard Development Company (Alison Reichstein, West Chester, Penn.);
- Port Authority of NY & NJ (Bethann Rooney, Pomona, N.Y.);
- Limited Brands, Inc. (Leigh Schmid, Columbus, Ohio);
- DHL Global Forwarding (Carol Sheldon, Southfield, Mich.);
- Sears (Bradley Shorser, Hoffman Estates, Ill.)

COAC info is located at [http://www.cbp.gov/xp/cgov/trade/trade\\_outreach/coac/](http://www.cbp.gov/xp/cgov/trade/trade_outreach/coac/).

## Feds Go On Massive Spending Spree

There is another massive financial bubble quickly building: runaway federal government spending and debt.

The U.S. federal government spent an unbelievable amount of additional money in its fiscal year 2008 ending in September, according to the White House Office of Management and Budget. Federal revenue increased by \$34 billion, or 1 percent, to \$2.7 trillion, but spending increased by — get this! — 25 percent in 2008 or by \$700 billion, to \$3.6 trillion. "Net operating costs increased to \$1 trillion, up from last year's net operating cost of \$275.5 billion," says the OMB in its 2008 Financial Report. "The growth in the net operating costs resulted from the economic slowdown, the government's response to the slowdown and the significant re-estimates of the government's long-term liabilities for veterans' disability compensation benefits." The budget deficit for 2008 was \$455 billion, more than double the \$163 billion deficit in 2007, the biggest one-year increase ever, even though real GDP growth was 0.7 percent during FY 2008.

Corporate tax revenues declined in the last fiscal year by \$68 billion.

At the end of fiscal year 2008, the government had incurred \$10.2 trillion in debt, an increase of \$1 trillion in one year.

The massive surge in spending is not helping prospects for the 78 million Baby Boomers who might expect to receive Social Security, Medicare and Medicaid payments. Today, those programs comprise 40 percent of all federal expenditures, up from 16 percent 40 years ago. By 2013, they will represent 65 percent of all federal expenditures. The unfunded liability for these programs has now reached \$56 trillion, a one-year increase of \$3 trillion. The \$56 trillion equals \$185,000 for every man woman and child in the United States of America.

"Without changes to the major three entitlement programs, publicly held debt may be more than 110 percent of GDP by 2032, surpassing the World War II peak of 109 percent, and by 2080, publicly held debt may exceed 600 percent of GDP," says the OMB report. "Such rapid growth in the government's deficit and resulting debt would create financial sector instability, increasing risk and uncertainty across many sectors of the U.S. economy." Something has got to be done, says the report, and the longer the politicians wait, the bigger the problem.

"The issues discussed in the [2008 Financial Report] should be of interest to every citizen," says the OMB, which then points to it on the Web at <http://www.fms.treas.gov/fr/index.html>.

# 2009 Calendar

**January 12** ProMat 2009 — Solutions That Make Supply Chain Work, Chicago, Ill., <http://www.promatshow.com>.

**January 15 - 16** Product Development Excellence, Memphis, Tenn., [www.marcusevansbb.com/PDE](http://www.marcusevansbb.com/PDE).

**January 15 - 16** Product Safety, New Regulatory Requirements, Overseas Suppliers and Product Liability Prevention Seminar, Atlanta, <http://RandallGoodden.com>.

**January 22 - 24** New Partners for Smart Growth, Albuquerque, N.M., <http://www.newpartners.org/>.

**February 2 - 4** Logicon Europe, Brussels, [www.logiconeurope.com](http://www.logiconeurope.com).

**February 3 - 7** Performance-Based Logistics: the Basics and Beyond, Knoxville, Tenn., <http://thecenter.utk.edu/documents/PBL.pdf>.

**Feb. 9 - 10** Immediate Cost Reduction Approaches to Meet the Challenges of Manufacturing, Troy, Mich., <https://cpd-associates.com?download=09Manufacturing>.

**February 10 - 11** Design for Six Sigma, Las Vegas, Nev.: [www.wcbf.com/quality/5090](http://www.wcbf.com/quality/5090).

**February 18 - 19** Product Safety, New Regulatory Requirements, Overseas Suppliers & Product Liability Prevention Seminar, San Francisco, Calif.: <http://RandallGoodden.com>.

**February 19 - 20** Environmental Industry Summit, San Diego, Calif. <http://events.zweigwhite.com/eisummit/index.asp>.

**February 24 - 26** HOUSTEX, Houston, Texas, [www.houstexonline.com](http://www.houstexonline.com).

**March 10 - 11** Shiptech 2009, Biloxi, Miss., [www.nmc.ctc.com](http://www.nmc.ctc.com).

**March 10 - 12** Aviation Industry Expo, Las Vegas, Nev., [www.AviationIndustryExpo.com](http://www.AviationIndustryExpo.com).

**March 11 - 12** The New Consumer Product Safety Improvement Act of 2008, Product Liability Prevention and the Use of Chinese and Asian Suppliers, Rosemont Ill., <http://randallgoodden.com>.

**March 16 - 18** High-Performance Computing Conference, New Orleans, La., Sponsored by NCMS and ATM, <http://www.ncms.org>.

**March 30 - April 2** WESTEC, Los Angeles, Calif., [www.westeconline.com](http://www.westeconline.com).

**March 30 - April 2** Commercial Technologies for Maintenance Activities: Motoring Through Technology Transition, Detroit, Mich., <https://www.ncms.org/SSL/Symposium2009/registration.htm>.

**April 1 - 2** MicroManufacturing Conference Exhibits, Minneapolis, Minn., [www.sme.org/micro](http://www.sme.org/micro).

**April 1 - 2** Nanomanufacturing Conference, Minneapolis, Minn., [www.sme.org/nanomanufacturing](http://www.sme.org/nanomanufacturing).

**April 19 - 22** American Machine Tool Distributors' Association Annual Meeting, San Diego, Calif., [www.amtda.org](http://www.amtda.org).

**April 29 - May 1** Composite Manufacturing, San Diego, Calif., [www.sme.org/composites](http://www.sme.org/composites).

**May 4 - 5** Developing a Leading Edge Operations Strategy, MIT, Cambridge, <http://mitsloan.mit.edu/exceed>.

**May 6 - 7** Supply Chain Strategy and Management, MIT, Cambridge, Mass., <http://mitsloan.mit.edu/execed>.

**May 12 - 14** Rapid Product Development & Manufacturing Solutions, Schaumburg, Ill., [www.sme.org/rapid](http://www.sme.org/rapid).

**May 12 - 14** Plant Maintenance and Design Engineering, Montreal, Quebec, Canada, [www.pmds.ca](http://www.pmds.ca).

**May 14 - 16** Foundry & Diecasting Industries 2009, Hong Kong, [www.worldtradeexpo.com.hk](http://www.worldtradeexpo.com.hk).

**May 18 - 20** Optomism: Photonics Products for Green Tech., Santa Clara, Calif., [www.optomismshow.com](http://www.optomismshow.com).

**May 19 - 21** EASTEC, W. Springfield, Mass., [www.easteconline.com](http://www.easteconline.com).

**May 19 - 22** North American Mfg. Research Conference, Clemson, S.C., [www.sme.org/namrc](http://www.sme.org/namrc).

**May 25 - 29** Symposium of the International Committee on Aeronautical Fatigue, Rotterdam, Netherlands, <http://www.icaef2009.nl>.

**June 2 - 4** FABTECH Mexico, Monterrey, Mexico, [www.fabtechmexico.com](http://www.fabtechmexico.com).

**June 3 - 5** IMPAX Congress, San Diego, Calif., [www.impaxcongress.com](http://www.impaxcongress.com).

**June 7 - 9** Society of Manufacturing Engineers Annual Meeting, Philadelphia, Penn., [www.sme.org/annualmeeting](http://www.sme.org/annualmeeting).

**June 8 - 9** Lean and Green Summit, Savannah, Ga., <http://www.leanandgreensummit.com>.

**June 8 - 10** Eleventh International Conference on Optimum Design of Structures and Materials in Engineering, Algarve, Portugal, <http://www.wessex.ac.uk/conferences/2009/opti09/index.html>.

**June 9 - 11** Computational Methods and Experimental Measurements for Surface Effects and Contact Mechanics, Algarve, Portugal, [www.wessex.ac.uk/conferences/2009/secm09/index.html](http://www.wessex.ac.uk/conferences/2009/secm09/index.html).

**June 16 - 17** Manufacturing Workforce Symposium, Chicago, Ill., [www.sme.org](http://www.sme.org).

**June 16 - 18** Western Manufacturing Technology Show, Edmonton, Alberta, Canada, [www.wmts.ca](http://www.wmts.ca).

**June 17 - 18** TRANSLOG — Transportation and Logistics — First Annual Conference, Hamilton, Canada, <http://mitl.mcmaster.ca/translog/index.html>.

**June 17 - 19** Computational Methods and Experiments in Materials Characterization, New Forest, UK, <http://www.wessex.ac.uk/conferences/2009/mc09/index.html>.



# The Talking Head Tours America's Heartland

David Byrne is a rock musician who rose to fame when his band, the Talking Heads in the 1980s, teamed up with musical genius Brian Eno and released albums of unheralded creativity and energy.

Byrne, a cerebral New Yorker, toured the country this fall playing music he wrote in collaboration with Eno, and he kept a journal. In each city in which he played with his band he hopped on a bicycle that he kept in his tour bus and rode around, describing on his blog where he peddled and what he saw from the perspective of a contemporary artist.

In Cleveland, he rode his bike to a camera store to replace a lost battery charger. "I go east on Euclid Avenue, one of the main drags of Cleveland, or what used to be the main shopping street," he writes in a perfectly clear voice. "For about a mile, I pass building after building, boarded up, abandoned or empty. Beautiful buildings, too, with lots of character. It seems like this was, not long ago, the main shopping street — a bustling area filled with folks buying and selling. Big department stores and offices. Some of these buildings are in the midst of renovation; their facades partially ripped off, scaffolding here and there, but the work seems to have stopped midway, for lack of funds I suspect. And given the economic earthquakes of the last few weeks, they'll stay that way for a while. One boarded up building houses a child care center on the ground floor; another — this one not boarded up — is a center for monitoring child support. Ads on the bus stops remind young men that dads are important.

"It's all too easy to connect the dots in the scenario painted by these institutions, or lack of institutions. One passes block after block of empty buildings and shops and asks, 'How was it allowed to get this far?' Granted, lots of towns still have vibrant centers, and parts of Cleveland are still active — the clubs in the warehouse district and the fancier suburbs like Shaker Heights. But when encountering a place like Euclid Avenue, one thinks of the Mayan temples that were already being abandoned before Cortes even arrived. What kind of people lived here? What did they make? Why did they leave?"

In St. Louis on Oct. 18, he rode through the Grand Center arts district on a Saturday afternoon. "We pass block after block of vacant office buildings and warehouses, beautiful buildings most of them," he writes. A colleague along with him comments: "At least they haven't torn the buildings down and replaced them with ugly modern condos." Some have signs on them that they are available for lease; others stand dark and empty. There is no traffic. It's Saturday afternoon at 4 p.m., and we can ride down the middle of the street in the center of town."

Byrne is neither morose nor judgmental. His musical partner, Brian Eno, also has a good grasp of global economics. In his July 9, 2008, blog entry, Byrne described a visit by Eno to New York shortly before the release of their latest collaborative album.

Eno, who just finished producing Paul Simon's and Coldplay's latest albums, called the U.S. economic system "cowardly socialism." Here's how Byrne describes Eno's argument, two months before the financial collapse: "For decades at a time, we permit laissez-fair capitalists to espouse the harsh, invisible hand of the free market, until giants like Bear Stearns, Chrysler and Fannie Mae threaten to go under because of greedy behavior and bad decisions. Then the government will begrudgingly bail them out and maybe even adopt some protective or regulatory policies. But only when pushed to the wall do they admit that the implementation of vaguely socialist policies — policies that value people over quick profits — may prevent the collapse of their whole house of cards..." And in case you were wondering, none of the above political complaints are in evidence on the [new] album [Everything That Happens Will Happen Today]."

## Upward Spike In U.S. Bankruptcies

Bankruptcies are soaring. During the third quarter of 2008, there were a total of 292,291 business and personal bankruptcies filed, a 34 percent increase over the same period of 2007. Total filings for the first nine months of 2008 were up 35 percent, to 841,496, compared to 622,999 for the same period in 2007, according to the American Bankruptcy Institute (ABI).

"The dramatic spike in both personal and business bankruptcies reflects an economy in distress with worried consumers over-extended and unable to supply the spending typically needed to keep the national economy going," says ABI executive director Samuel Gerdano.

There were 29,960 business bankruptcies reported during the first nine months of 2008, up from 28,137 during the same period in 2007. But for the third quarter of 2008, business bankruptcies increased by 61 percent, from 7,167 filings in 2007 to 11,504 in 2008.

"Chapter 11 business filings spiked to 2,485 during the third quarter of 2008, an increase of 76 percent over the 1,410 filings during the same period in 2007," says ABI. "Chapter 7 business filings also increased to 7,927 during the three-month period ending September 30, 2008, representing a 65 percent increase over the 4,816 filings during the similar period in 2007.

For the 12-month period ending September 30, total business and consumer filings increased by 30 percent to 1,042,993, up from 801,269 in 2007. The bankruptcy rate per 1,000 U.S. residents was 3.38. Tennessee had the highest per capita filing rate of 7.27 residents per thousand filing for bankruptcy.

The data is located at [http://www.uscourts.gov/Press\\_Releases/2008/BankruptcyFilingsDec2008.cfm](http://www.uscourts.gov/Press_Releases/2008/BankruptcyFilingsDec2008.cfm).

## Letters To The Editor

Concerning Larry Summers' comment in the December 3 issue of MTN: "But I thought to myself there was something odd about the reward structure of our society." Now he realizes it. Larry Summers is one of the guys who ran our economy and was at the heart of the "deregulation" and "free trade" agenda that led to our current crisis. He has spent his entire life in finance and academia and now, at 53, it dawns on him that those who move wealth around make more than those who produce it? Was he really that ignorant or was he just acting?

— *Bill Gilwood, Unisin Power Technology*

The economy is in the tank but Mealer American Motors Corp. is going to rally Wall Street and the suffering U.S. economy all in one stroke. Mealer Companies expects to create a positive outlook for the future and leave President Obama to figure out how best to spend American wealth. All is not lost folks. We begin a new chapter of American prosperity in December 2008. Mealer Companies is a privately owned, 100 percent U.S.-based and operated manufacturing company. Just watch and see...

— *J.L. Mealer, Mealer American Motors*

I read with great interest your editorial on Oct. 17 titled "U.S. Military Fails to Learn an Ancient Military Lesson: No Industrial Economy Equals No Army." For me this article piggy-backed another article you wrote on March 14 of this year titled "Depleted U.S. Printed Circuit Board Industry to Become Part of DOD's 'Trusted' Production Program."

Our company, Belair Micro in Alpharetta, Ga., manufactures and designs printed circuit boards. We are one of the 10 percent of the printed circuit industry that manufactures here in the United States. Our company goes back to the 80s and early 90s when we manufactured boards for DOD and NASA. We know all too well the history of the industry being shipped overseas.

Our contention is that it is strictly a cost issue because our two top designers and manufacturers here at Belair Micro have been able to develop some of the most advanced technologies in this industry in the world, including the world's thinnest semiconductor package.

We have all the capabilities and clearances that the DOD would require but are having trouble getting an audience. We believe it is CRUCIAL to the defense of this country to make sure that these boards, which are at the core of every defense-related technology, are produced here in the United States and under U.S. supervision.

Your article was a breath of very fresh air.

— *Geoff Smith, G. Smith & Co.*

Why aren't politicians sharing in the suffering economy? Not one single politician is taking even a 5 percent pay cut. Nor has any offered to. This is brutal truth for both federal, state and local elected officials. Why are programs for the disabled, the poor, for home care, for children and disabled elderly being slashed? These are the budgetary "solutions" proposed by the politicians to cover the budgetary shortfall. "Shock Doctrine" — Google it.

— *Robert Williams, Mooers, N.Y.*

## U.S. Trucking Industry Braces For Downturn

New regulations on diesel truck emissions will lead to a "dramatic drop in new truck and engine purchases, which will ultimately lead to a breakdown in the trucking industry," according to the Owner-Operator Independent Drivers Association (OOIDA). Given the high cost of complying with the regulations, trucking companies and fleet operators will likely decide not to purchase new engines and trucks due to high costs. "This will eventually mean huge job losses and a lack of choices for trucking equipment consumers of all sizes," says OOIDA.

Maintenance costs for the new engines built to the 2010 emissions standards will run between \$7,000 and \$10,000 more per vehicle and will add between 300 and 500 pounds of weight to some large rigs. OOIDA cites a study conducted by NERA Economic Consulting which says sales dropped by 120,000 units in 2008. For a copy of the report, "Customer Behavior in Response to the 2007 Heavy-Duty Engine Emission Standards: Implications for the 2010 NOx Standard," set your browser to [http://www.ooida.com/Documents/NERA\\_2010\\_NOx\\_Standard\\_Report.pdf](http://www.ooida.com/Documents/NERA_2010_NOx_Standard_Report.pdf).

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Editor & Publisher: Richard A. McCormack ([richard@manufacturingnews.com](mailto:richard@manufacturingnews.com))

Web Technical Coordinator: Krishna Shah ([krishna@manufacturingnews.com](mailto:krishna@manufacturingnews.com))

Business Manager: Anne Anderson ([anne@manufacturingnews.com](mailto:anne@manufacturingnews.com))

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