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DEPARTMENT OF COMMERCE FISCAL YEAR 2009 BUDGET

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

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DEPARTMENT OF COMMERCE FISCAL YEAR 2009 BUDGET

THURSDAY, MARCH 13, 2008

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The committee met, pursuant to call, at 9:10 a.m., in room 2123 of the Rayburn House Office Building, Hon. John D. Dingell (chairman) presiding.

Members present: Representatives Dingell, Eshoo, Stupak, Wynn, Harman, Allen, Schakowsky, Solis, Inslee, Matheson, Barrow, Barton, Upton, Whitfield, Shimkus, Fossella, Buyer, Murphy, and Burgess.

Staff present: Phil Murphy, Valerie Baron, Andrew Woelfling, Amy Levine, Consuela Washington, Will Carty, Neal Fried, Courtney Reinhard, Brian McCollough, Chad Grant.

OPENING STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. DINGELL. Today the committee will be receiving testimony from the Secretary of Commerce with respect to the Administration's fiscal year 2009 budget request. The Chair advises members that the committee will follow the same procedures as prior full committee hearings with respect to opening statements and questions.

The Chair notes that it is unfortunate the secretary will only be able to be with us until 11:30 a.m. The Chair therefore is going to urge the members to proceed as efficiently as possible, and the Chair requests the cooperation of all members.

Without objection the full statement of the Chair will be inserted in the record. The Chair advises that the clerk and the counsel at the hearing will maintain a list of members and will advise the Chair which members should be recognized and in what order under the following procedure. One, members who are present when the committee is called to order. These members will be recognized in order of their seniority on the full committee. Two, members who arrive after the committee is called to order. These members will be recognized in the order in which they arrived at the hearing but after all members who were present when the Chair called the committee to order.

The Chair notes that the committee is troubled by the Administration's budget request for the department. I note that it proposes drastic cuts in the Economic Development Administration and in the Minority Business Development Agency and that it would essentially eliminate the manufacturing extension partnership, some-

thing which the Chair believes is extremely important and which the experience of this committee has indicated is extremely valuable to the development of business and opportunity in this country and for people around the world.

As you know, Mr. Secretary, a time when hardship for the manufacturing sector in this country has been going forward at an unpleasant rate, these programs provide vital assistance to hard-working men and women and their employers, many of whom are small manufacturers.

The Chair also notes that the Administration has proposed a $17 million cut in the National Telecommunications and Information Administration's funding and has requested no additional money to educate consumers about the digital television converter box coupon program. NGIA has extremely important responsibilities in this matter, including public safety operability. And we note that it must provide adequate resources to conduct its mission, and it must receive these from the department and from the President's budget.

Mr. Secretary, we welcome you to the committee today. We thank you for your courtesy and for your time, and we look forward to your dialogue with the committee on these and a number of other important matters. So, Mr. Secretary, please consider yourself both recognized and welcomed.

The Chair is going to inquire do members seek recognition at this time for opening statements. Gentleman from Michigan, Mr. Upton.

[The prepared statement of Mr. Dingell follows:]

STATEMENT OF HON. JOHN D. DINGELL

Today the Committee will receive testimony from the Secretary of Commerce regarding the Administration's request for Fiscal Year (FY) 2009. I thank my friend, Secretary Gutierrez, for appearing before the Committee. Mr. Secretary, I have a number of tough questions about the Administration's budget request, as I am concerned it will not support the Department's core mission of fostering the foreign and domestic commerce of the United States.

I am troubled, particularly due to the country's de facto state of recession, that the Administration has proposed cutting important development programs administered by Commerce Department bureaus, such as the Economic Development Administration and the Minority Business Development Agency.

Similarly, I am disappointed that the Administration has proposed funding for the National Institute for Standards and Technology by more than $100 million. This includes the effective termination of the Hollings Manufacturing Extension Partnership program, which was authorized for $122 million in the 2007 America COMPETES Act. At a time of economic hardship for working men and women I would like to know the Administration's rationale for the proposed evisceration of these valuable programs.

In addition to its chilling effect on the Department's economic development programs, the Administration's request for a $17 million decrease in funding for the National Telecommunications and Information Administration (NTIA) raises serious questions about its ability to perform key responsibilities. NTIA must clear advanced wireless services spectrum, promote greater transparency in the work of the Internet Corporation for Assigned Names and Numbers, and coordinate the Public Safety Interoperable Communications grant program. I am particularly troubled that the Administration has requested no additional funding to support consumer education for the converter box coupon program, especially in light of the looming national transition from analog to digital broadcast signals.

In closing, by way of this hearing and subsequent correspondence, the Committee would like to learn in greater detail about the Commerce Department's efforts to address the following challenges:

- Controlling the cost and improving the accuracy of the 2010 Census;

• Ensuring that the National Oceanic and Atmospheric Administration effectively manages existing atmospheric satellites, as well as responsibly acquires new ones;
• Making certain that the U.S. Patent and Trademark Office achieves better and more efficient results; and
• Promoting U.S. exports and fair competition in international trade, as well as enhancing export controls for dual-use commodities.

I thank Secretary Gutierrez for his testimony today. I am certain this morning's dialogue will be fruitful.

Mr. UPTON. I want to preserve my opening statement for questions so I will pass.

Mr. DINGELL. That is within the gentleman's rights. Gentlewoman from California.

Ms. ESHOO. Good morning, Mr. Chairman. I will waive my time. [The prepared statement of Ms. Eshoo follows:]

STATEMENT OF HON. ANNA G. ESHOO

Good morning, Secretary Gutierrez, and thank you for testifying today about the Commerce Department's budget request for the 2009 fiscal year.

We have many important programs to discuss today, including many that directly impact our nation's ability to innovate and compete in the global marketplace. But I want to bring your attention to a particular matter that affects my constituents and the Districts along much of the Pacific Coast.

I'm very concerned by the alarming drop in the salmon population in Northern California and Oregon. The Pacific Fishery Management Council announced earlier this year that the Fall 2007 run of adult salmon on the Sacramento River was among the smallest ever recorded. Not only is this troubling from the perspective of fish conservation, it will have a serious economic impact throughout Northern California and the Pacific Northwest. As you know, low salmon returns to the Klamath River in 2006 caused a commercial fishery failure. It took far too long for the Department of Commerce to declare that failure and for those affected by the fishing restrictions to receive federal assistance.

This year the situation seems worse, and communities along the West Coast need your swift intervention. I recently joined a number of my colleagues in writing to you requesting that you take steps to declare a commercial fishery failure to speed federal aid to the fisheries and individuals whose livelihoods depend on robust salmon runs. I look forward to hearing your response regarding that request, and would like to know how you plan to address such a striking decline in an important natural resource.

A recent report from a NOAA Fisheries Service oceanographer indicates that the rapid decline in the salmon population is due to unusual changes in weather patterns and ocean currents that disrupted the food chain, causing young salmon to starve. This may be connected to climate change which could make salmon among the early casualties of global warming. With this possibility, we clearly need to be investing more heavily in research to understand climate change, its impact on our oceans and environment, and possible mitigation strategies. Why, then, have you proposed to cut the budget for all of NOAA's research programs, including Oceanic and Atmospheric Research? With the imminent threat that global warming poses, especially to our coastal regions, we cannot afford to under-invest in research in this area.

Given the President's expressed interest in innovation and promoting American competitiveness, I find it surprising that there is no funding for the Technology Innovation Program which received strong bipartisan support when it was authorized by America COMPETES. The Administration's plans to shut down the Manufacturing Extension Partnership is equally puzzling. While I am pleased to see that R&D at NIST overall will increase by 4.7%, I'm troubled by the cuts to TIP and MEP - programs which facilitate the development of new methods and paths to commercialization and are designed to help innovations reach the marketplace. How does the Administration propose to help develop and mature new technologies, when it terminates the programs designed for that very purpose?

I want to thank you, Mr. Secretary, for your hard work and leadership on immigration reform. We need to increase the number of H1-B visas, develop a pathway to citizenship, and address other aspects of our immigration policy to reward hard work and ensure that we have a system that will both train and retain foreign tal-

ent in our country. I know you understand this and I know the President understands this. I look forward to working with you during the remainder of your time in office to address these important matters.

Thank you again for testifying today and I look forward to hearing about your plans to address these issues.

Mr. DINGELL. Gentlewoman has done so. Gentleman waives his time. Gentlewoman from California.

OPENING STATEMENT OF HON. JANE HARMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. HARMAN. Thank you, Mr. Chairman. And welcome, Mr. Secretary. I just wanted to underscore your comments, Mr. Chairman, about the importance of the DTV transition. This is not, in my view, about converter boxes to convenience consumers; although, it matters. This is about whether or not we are going to make spectrum available for emergency purposes, and I know you share this goal, Mr. Secretary. But it is very concerning to see that your budget, in my view, doesn't fund your ability to successfully help us achieve this goal.

Thank you, Mr. Chairman.

Mr. DINGELL. Gentleman from Maine.

Mr. ALLEN. Mr. Chairman, I waive my opening.

Mr. DINGELL. Gentleman has waived his opening statements. The Chair apologizes. The gentleman from Georgia.

Mr. BARROW. The same, Mr. Chairman. I will waive.

Mr. DINGELL. Gentleman waives. Then, Mr. Secretary, the Chair makes you welcome and recognizes you for your statement.

STATEMENT OF CARLOS M. GUTIERREZ, SECRETARY, DEPARTMENT OF COMMERCE

Secretary GUTIERREZ. Thank you, Chairman Dingell and distinguished members, Ranking Member Barton. It is my pleasure to come before you today to talk about the Commerce Department. While I have had the privilege with you before, today is likely the last time that I will come before you as Secretary of Commerce.

It has been a great privilege to serve the American people. I am grateful for the confidence that President Bush has had in my ability to lead this great agency. Over the next year, the department will continue to focus on American competitiveness, measuring American life, growing American exports, and protecting America's environment.

I have submitted my full testimony for the record, but today I would like to highlight——

Mr. DINGELL. The full testimony will be inserted into the record at the appropriate place.

Secretary GUTIERREZ. Thank you. And I would like to highlight just a few initiatives if I may, Mr. Chairman.

Let me begin with a few words on the census bureau, which is part of the Department's Economic and Statistics Administration. The 2010 census is one of the highest priorities and most important responsibilities of the department. We are working to address some of the challenges currently facing the 2010 census, and I would like to show you that I am personally involved in bringing key issues to the surface and developing a way forward.

The American people expect and deserve a timely and accurate decennial census, and the department and I will not rest until they have it. We want to have not just the good census but the best census we have had. In addition to measuring American life, Commerce plays an important role as stewards of our nation's environment through the National Oceanic and Atmospheric Association. We are responsible for our oceans and waterways and marine fisheries, our weather service, and a number of other resources to utilize America's natural attributes to strengthen our economy while protecting our valuable resources.

I would like to say a few words about our economy, which we believe remains fundamentally sound; although, we are recently confronting and faced with strong economic headwinds resulting in slower growth. Our unemployment remains low at 4.8 percent, but we were disappointed with the recent employment report. Our gross domestic product grew at a solid 2.2 percent last year but, as you know, slowed in the fourth quarter. Consumer spending has moderated. Businesses continue to invest, but the rapid cost of oil and other commodities are having an impact.

While the stimulus package will help in the short term, in the long term we need to continue to nurture a pro-growth, pro-jobs environment of lower taxes, less regulation, and more export opportunities.

Trade is playing an increasingly significant role in the overall economy with net exports accounting for 26 percent of GDP growth. We are the world's number one exporter with $1.6 trillion in goods and services exported last year. This represents a 12.6 percent increase over 2006, marks our fourth consecutive year of double-digit export growth. And for the first time since 2001, our trade deficit declined.

To continue our export growth, America must maintain its posture as the leader in the global economy, committed to breaking down economic barriers and engaging with countries around the world. Free trade agreements are one of the best tools we have to do so. Our free trade agreement partner countries accounted for nearly 46 percent of U.S. goods exports in 2007 and nearly 30 percent of our export growth in 2007.

This Administration has been a strong advocate of free trade, and while we are pleased by the strong bipartisan support for the Peru Agreement, which President Bush signed in December, there are three remaining agreements with Colombia, Panama, and South Korea that we believe deserve a vote in Congress. Opening these markets is good for America's exporters and workers and will continue to make our nation more competitive in the global economy. However, these agreements are more than economically significant. They are a matter of national security. The pending agreements of Latin America and Asia are with allies who border countries whose leaders share visions far different than our own.

Let me focus for a moment on Colombia, a nation that has had a history of violence and upheaval but has made enormous strides on a path to peace and prosperity, strides which are made possible by the bipartisan support of the U.S. Colombia is a stunning example of bipartisan foreign policy success. The U.S. has contributed more than $5.5 billion to Plan Colombia, an initiative to promote

the peace process, combat the narcotics industry, revive the economy, and strengthen democracy.

Since 2002, kidnappings are down by 83 percent, terror attacks by 76 percent, homicides by 40 percent, and Colombia has made great strides in the health care and education of families and children.

I have just returned from leading my fourth bipartisan congressional delegation to Colombia. Each and every time I have been awed by the turnaround that country has made. Colombia has fought back against the narco-terrorists and drug lords and is reclaiming its country.

Importantly, the country lead by democratically-elected president Alvaro Uribe has made the turnaround while staying true to democratic principles. Given the recent tensions in the region, it is increasingly important that we stand by Colombia. All of Latin America is watching closely to see if the U.S. stands by Colombia in these challenging times. Colombia is a key strategic ally in our own hemisphere, and the Administration has a strong desire to work with Congress to get the FTA with Colombia as well as Panama and South Korea up for a vote.

The Commerce Department also has a special role to play in the next year in helping our nation make the transition to digital television. This year, the National Telecommunications and Information Administration continued to work with its federal and industry partners to educate the public about the transition to digital TV, which is now less than one year away on February 17, 2009.

The good news is that the word is getting out. More than 15 federal agencies are working with the Department of Commerce, the Federal Communications Commission, and our industry and nonprofit partners to inform the public about the transition and the coupon program.

To complement the general public awareness campaign, we are proactively working to reach and address specific concerns of consumers most likely to be impacted by the transition. The NTIA-administered coupon program launched on January 1 is providing consumers with coupons worth $40 toward the purchase of converter boxes. Nearly two million coupons were requested in the first week. Since then, demand for coupons continues to be strong with more than seven million coupons requested to date, and coupons are being mailed to households across the nation.

We look forward to keeping the committee apprised on the progress of this important event. These are just a few of the ongoing efforts at the Commerce Department. Let me close by noting that the department's 38,000 public servants work daily on many other important efforts and initiatives I did not have time to mention today. Each deserves praise for their commitment to the public good.

All of us at the Commerce Department will continue to work with the committee to keep our nation's economy growing and strong and to promote technological advancement and environmental stewardship.

I thank you, Mr. Chairman, for the opportunity to come before you today. Thanks to all the committee members, and I look forward to your questions. Thank you.

[Mr. Gutierrez did not submit a prepared statement.]

Mr. DINGELL. Mr. Secretary, thank you for your very helpful statement. The Chair is going to recognize himself first.

Mr. Secretary, the Chair is very much concerned by the Administration's request for flatlining funding for a number of important and key trade enforcement programs conducted by your department. The department's budget proposes $42.9 million for the International Trades Administration's Market Access and Compliant office. That is the MAC office. The request represents, I note, a reduction in funding in comparison to the appropriations for fiscal years 2005, 2006, and 2007.

Now, what does this do to the marketing access programs and compliance cases brought by MAC on behalf of U.S. firms? This has got to result in a significant reduction in those activities, does it not?

Secretary GUTIERREZ. Mr. Chairman, what we have tried to prioritize with our MAC funds is putting more focus on countries where we are either increasing our exports or we have special programs going on or we have a free trade agreement but try to be more selective as opposed to just broad base, focusing on all countries around the world. We do have a list of countries.

Mr. DINGELL. So you are going to do that, but you are going to do it with less money?

Secretary GUTIERREZ. We need to do that with a smaller budget, but by no means putting at risk our ability to bring forward antidumping cases and CBD cases. In fact, we have actually increased the budget for counter-relief.

Mr. DINGELL. Would you, Mr. Secretary, please list the priority countries for the record and perhaps give us an explanation of how you could increase your efforts by reducing your financial support?

Now, Mr. Secretary, in the light of free trade agreements pending before the Congress and the importance of ensuring market access in each of these countries, how does the Administration budget request funding for overseas MAC offices, especially in South Korea? I note that you are cutting off funding in South Korea for this office and will close the office. Is that right?

Secretary GUTIERREZ. Yes, I believe that is part of the——

Mr. DINGELL. Well, we are in a country where we have major problems with discrimination, unfair trade practices, and things of that kind, you are eliminating funding for that agency in that area.

Now, I note that the Administration has requested reduction in funding for the trade promotion and U.S. foreign and commercial service of $3 million again purportedly to streamline operations. So again you are streamlining operations, Mr. Secretary, by reducing or eliminating funding. How can you assure this committee that the decrease in funding will not result in a loss of foreign commercial service officers? And how will it expand and prove the services that this very important agency gives to American business around the world?

Secretary GUTIERREZ. Yes, thank you, Mr. Chairman. What we have found is that in very large developed economies, say Canada or the U.K. or even France, there isn't a lot of need for commercial service officers as there was say 20 years ago to help companies access that market.

However we do find need in developing markets and smaller, emerging markets. So what we have done essentially is shifted resources to those markets that do require help. I would be glad to get back to you with a list of where the funding came from from a country standpoint and to what countries the funding was shifted. But we believe that we have put it on those countries that will require our focus in the next 5 or 10 years as opposed to those that required it in the past.

Mr. DINGELL. The Chair, Mr. Secretary, will be submitting to you some written questions in a letter to follow your appearance here in which the Chair is going to ask that you amplify on that, and we will see that that is in your hands so we may have a more complete record.

Now, Mr. Secretary, I note again the budget proposes of $42.9 million for the International Trade Administration's Market Access and Compliance Office, your MAC office. This represents a reduction in funding in comparison to appropriations for 2005, 2006, and 2007. Again we have a funding reduction. I must assume that this will decrease the number of market access and compliance cases by MAC on behalf of U.S. firms. Can you deny that statement, Mr. Secretary?

Secretary GUTIERREZ. It will force us to be more disciplined about priorities. I will say, Mr. Chairman, that since we started to use countervailing duties or duties against subsidies for China, we have actually added $3 million into the budget for that. So we have been very selective about where we believe we need to spend our time and our resources. And I would be glad to provide you more detail on that as well.

Mr. DINGELL. Now, Mr. Secretary, again the Administration has requested a reduction in funding for the trade promotion and U.S. foreign commercial service of $3 million again to streamline domestic operations.

VOICE. You have already asked that question.

Mr. DINGELL. We will have some additional questions and comments on that one because that question has already been asked. Now, Mr. Secretary, GAO, the Bureau of Industries and Securities Dual Use Export System to its government wide high risk list because the Department of Commerce was unable to identify weaknesses in the system or implement corrective measures. Is the validated end-user program the only measure taken by the Department of Commerce to address these concerns, yes or no?

Secretary GUTIERREZ. It is one of the more important ones that we are starting this year with China.

Mr. DINGELL. Mr. Secretary, would you please provide details concerning other measures and the funding that they will receive under the administration budget? Chair will follow up with a letter on this, and Chair notes that my time has expired. Chair recognizes now the distinguished gentleman from Michigan, Mr. Upton, for 5 minutes.

VOICE. Five minutes plus six.

Mr. DINGELL. Six minutes. Gentleman is correct. Six minutes.

Mr. UPTON. Thank you, Mr. Chairman. And, Mr. Secretary, welcome back to the committee. And I, for one, want to just say, and I know I speak for members on both sides of the aisle and members

not only in this committee but in the Congress, we appreciate your public service to our great land for all the work that you have done.

A couple things that I would like to bring up this morning. The first one, I guess, is today's news which I saw in Congress Daily this morning. I have a copy right there on the corner of the table for you. As it relates to the trade battle on page 11 with Colombia, the Free Trade Agreement. There are a number of different statements in here. It appears as though, reading this from this publication that in fact we are trying to get an agreement to bring this up before the Congress so that we can vote on it this year.

As I understand it, the House would have to vote on it within 60 days once it is submitted. It has not been submitted. There is a statement that is referenced here that Speaker Pelosi suggested an effort to submit the agreement without acquiescence would end badly, but it also says that John Veronu, who is the deputy trade rep, says we have done what we have been asked to do. Where are we in terms of negotiations between the administration and the leadership here in the Congress to try and bring this up so that we can vote on it up or down and be able to get it done?

Secretary GUTIERREZ. We have been working. As I say, we, the Administration as a whole, Secretary Paulson, Ambassador Schwab, and myself, others, working to address whatever concerns leadership has had about Colombia. And we believe that we have worked very closely. We have addressed everything that has been asked. A lot of it has been addressed by the Colombian government. They have some new legislation on labor standards, and what we see as the risk is that we just keep talking about it but that the clock runs out on us.

And as the President mentioned yesterday, literally everyone in the hemisphere is just watching to see what we do and whether we work and treat an ally fairly and give them a free trade agreement the same way we have given Peru and Chile and others. So we are hoping that the comments in this report here are a good sign that we have always wanted to do this in a bipartisan way. That continues to be the President's objective.

We started this out with a May 10 agreement on trade. It was a bipartisan agreement. We agreed to use labor and environmental standards. It was deemed to be a new era of trade, a new bipartisan era of trade. We would like to continue to work that way, but we need to get this vote up as soon as possible because it just doesn't make sense that we continue to delay when an ally is under siege, being undermined by terrorist organizations who are trying to literally overthrow a democratically elected government. And we know that a free trade agreement will help them make significant progress in their economy. And as we have learned before, security and prosperity go hand in hand.

Mr. UPTON. Would it be your hope that, as you know Congress is adjourning at the end of this week until the 1st of April or so. Is it your hope that we would see some progress and that the trade agreement would be submitted to the House or to the Congress before April 10 or April 15?

Secretary GUTIERREZ. Well, what the President mentioned in the speech yesterday is that he hopes that the Congress will address it upon its return from the recess.

Mr. UPTON. OK, you are part, as the secretary of commerce, looking out after the economic vitality of our land. And clearly as you indicated in your testimony, the economy has been slowing down. Some would say that the fall of the dollar is partly responsible for that certainly as it relates to the price of energy. The price of gasoline which, as you know, hit an all-time high yesterday, hit over $111 per barrel.

Though this might be better sent to the secretary of treasury, where do you think we should be going in terms of shoring up the dollar and showing that our economy is improving rather than degrading. You indicated some good numbers relating to the trade deficit, which declined. What other additional steps might we see happen as promoted by the Administration?

Secretary GUTIERREZ. Thank you. Congressman Upton, if I answer the dollar question, I can——

Mr. UPTON. We want to see a big uptake in the market. It is—you know——

Secretary GUTIERREZ [continuing]. Get myself in serious trouble.

Mr. UPTON [continuing]. They have the streamer right there on the news. As soon as you say good things, it will jump.

Secretary GUTIERREZ. But I will say just, if I can shift over to your comment on oil. We just received numbers yesterday for our trade deficit for the month of January, and it was actually up from December by $300 million.

Mr. UPTON. The trade deficit is up?

Secretary GUTIERREZ. Yes, but if you take out the impact of oil, it was down close to $3 billion. So there is no question to your point that it is oil that is really driving the pressure on the trade deficit now and clearly also putting pressure on companies to have to look at their prices. So there is no question that that right now is a big negative pressure on our businesses and our economy and our consumers.

Mr. UPTON. OK, my time has expired. Thank you, Mr. Chairman.

Mr. DINGELL. The time of the gentleman has expired. The Chair recognizes the gentlewoman from California, Ms. Eshoo, for 6 minutes.

Ms. ESHOO. Thank you, Mr. Chairman. Welcome, Mr. Secretary. I want to start out by thanking you for your service to our country. I have always enjoyed working with you. You have always been a gentleman, and some things we have to push harder on in order to get them done, but I appreciate—we all do—your service to our country. And I wish you and your family all our best.

Let me start out by bringing up an issue that we have worked with you on before. Now it is affecting another part of California, and it is the issue of salmon and the effect that, you know, what has happened to some of the systems in California. The 2000 fall run of salmon in the Sacramento River was amongst the lowest on record. I mean since records have been kept, it is amongst the lowest. And you know that this is a very important natural resource, part of the local economy. We are proud of that, and we want to keep it that way.

Almost 50 Members of Congress, you know, just recently wrote to you, sent you a letter regarding this issue and requested that

you declare a commercial fishing failure as quickly as possible so that the fishing industry can get the federal aid that they need.

So I have a two-part question. What steps have you taken to declare a commercial fishery failure? And does the department have any other plans to address the serious decline in the salmon population? That is my first question. I am going to get my questions out, and then you can answer them.

As you know, on another issue, we worked very hard to develop what we call the innovation agenda. And that was to really rev up America's competitiveness and innovation. If we don't innovate, we simply are not going to not only keep our edge as a nation but also to make the progress in the future that we need to make. And, of course, science and technology are at the heart of this effort. It was bipartisan. Certainly the President supported it, and that initiative and The America COMPETES Act were embraced across the board.

Now, my question is that NIST obviously is recognized in its role in what I just outlined because NIST is a steward of several important programs that help the transition of new technologies to the marketplace. So my question in this area is why is the technology innovation program unfounded? And the manufacturing extension partnership only provided funds to facilitate the program shutdown? It is really disturbing to me. I think we are cutting off our nose in spite of our face on this one.

And my last question is the department's technology administration was an important resource on innovation and competitive issues for more than 30 years and I think successfully so. But it was eliminated last year. So in the absence of the TA, what is the department doing to ensure that federal labs will have the access to advise and guidance on federal technology transfer policy? We have led in the world in this area, and so that is why I bring it up. And those are my questions. So take it away.

Secretary GUTIERREZ. Thank you, Congresswoman. And let me just start with the NOAGS. We are well aware on salmon that this is a tough time. There is an article this morning in the paper on that, and we have received comments from our technical committee, which is sort of the way we start the process. My understanding is that tomorrow our fisheries counsel will provide us with three different options that actually will—before they provide them to us, they will be vetted and they will be able to go through a common period, a public common period. And those three options will be sent to us. They will make a recommendation. We should have a rule on this by May 1, which is when the season starts.

Ms. ESHOO. We want to work closely with you on this.

Secretary GUTIERREZ. OK, thank you.

Ms. ESHOO. Any other questions?

Secretary GUTIERREZ. You mentioned the NIST and the TIP and NEP. Actually we have—when the President laid out the American Competitiveness Initiative, he wanted to double the R and D spending by 2016 across several agencies. One of which was NIST, and we actually fell behind a little bit on that budget last year. And what we did this year is we set the priority up to ensure that we fund NIST so that the basic research in this is that we are back on track to double by 2016. That required prioritization.

Within NIST, I can tell you we are focused on new technologies. We are focused on emergency projects. We are focused on engineering and science capabilities, all the things that you are talking about. So we funded that, and it looks like we took down a number because of NEP, because we did not fund TIP. But the money is in the NIST research projects. TIP, we feel is a little bit—and I think we had said this in a views letter—that a lot of what TIP is designed to do will be done in the NIST programs.

The NEP is more of an operational manufacturing program. Now, what we are doing there is we are keeping the network in place, and the part that was funded by the Commerce Department, we are asking users of the program to pay for that the way they would pay for a consultant. We do about one-third. The state does a third. The locals do about a third. But the program itself and the network and the offices will continue to function, but what we did here is just, because the priority was let us get back on our basic research agenda because it is about competitiveness. It is about nano-technology and about emergency breakthroughs and about engineering and science capabilities. Let us fund that first as the number one priority, and that is what we have done. I believe there is a 22 percent increase going to those basic research projects within the NIST budget.

Mr. DINGELL. The time has expired. The Chair recognizes now the distinguished gentleman from Indiana, Mr. Buyer, for 6 minutes.

Mr. BUYER. I thank the Chairman. I have three questions, Mr. Secretary. The first question would be for you to explore in a little greater detail what are the economic and security benefits of Colombia free trade agreement? The other pertains to the implementation of the Commercial Spectrum Enhancement Act. So in 2006, the FCC auctioned licenses on the AWS frequencies, were to coordinate of the 12 government agencies to move off that spectrum. Eleven of them have coordinated with the purchasers from that auction. The one that isn't going so well is DOD.

Since the NTIA is under your domain, and you are responsible for government spectrum and the smooth transition off the AWS spectrum, I am hopeful that you can use your good offices in working with DOD to coordinate the use of these frequencies to meet the timetable of the winning bidders. Obviously there is a huge commercial impact to that, and I am interested in your comments with regard to why it is taking so long.

We received billions of dollars. I think it is almost $14 billion the government received from these bidders. And the longer we delay, there is a diminished commercial impact, and I am interested in your comments.

The last deals with your IT architecture. Mr. Chairman, in the VA, it took me 7 years to centralize the IT architecture of the VA. And not until we had the stolen laptops in the VA did America get so alarmed. Gee, we really have a problem. Now, in the Department of Commerce, you have five undersecretaries. Is that correct? You have five?

Secretary GUTIERREZ. Right.

Mr. BUYER. You have five undersecretaries. Now, what happens in our government agencies is that the chief information officer is

almost subservient to all these undersecretaries. So they all have their own ideas with software development. They all design their own budgets. The commerce secretary now has to manage over 300 different systems, and what is important is for us to—what we had to do in the VA is we had to empower the chief information officer. When you empower the CIO with line authority over all the chief information officers and you give them budget authority, you centralize and it becomes a more efficient operation. It took 7 years to achieve that.

So I know this is a subject that I broached with the President 2 years ago. OMB also embraced it. The President gave me assurances that what we were doing in the VA would be replicated in other departments of his. So I would like an update on whether or not you are moving your department in a manner to centralize your IT architecture to streamline its operations and whether or not you agree with what has happened in the VA to empower the CIO with line and budget authority. And I am interested in your comments.

Secretary GUTIERREZ. Thank you, Congressman. On Colombia, you were saying the link between prosperity and security——

Mr. BUYER. I am interested in your comments on what would be——

Secretary GUTIERREZ. Yes, of course. This is a country where we started with Plan Colombia back in the Clinton Administration with then President Pastrano. We have actually helped them with over $5.5 billion to get control of their country, and we have helped them with helicopters to social programs.

And the great thing is that it has been a great success. Their economy is growing. Poverty is down. Violence is down. Paramilitaries have turned in their weapons. They have come back into civil society. I mean it has just been an amazing turnaround, and a part of what they have been able to improve is that their economy has improved. So that people demobilize, and they turn in their weapons. And then they can all go out and find a job because the economy is providing jobs.

What worries us about not getting this free trade agreement approved quickly is that not only will we not be helping them, but since their neighbors have free trade agreements, they will actually go backwards. And one estimate is that they will lose 400,000 jobs. So everything they have done on the security side will be at risk because their economy now will start suffering, and they will be under a competitive disadvantage versus Peru and Chile and Central America, who do have free trade agreements with the U.S. And that would be just a terrible shame that after $5.5 billion and all the pain that they have gone through that we all of a sudden go back and backtrack on this.

Mr. BUYER. OK, AWS auction?

Secretary GUTIERREZ. Yes, we are aware of that, but we are aware of the buyer's desire to get on with it because we know that this is about, you know, they paid for it. They want to get on with it, and we will work with DOD to just, to get that through. And I know that there is—for their reasons, they are holding this up. And we will go back to them and ensure that we can get this spec-

trum freed up as soon as possible. Because we know this is a big——

Mr. BUYER. Will you be back in touch with myself or the committee to let us know about that?

Secretary GUTIERREZ. I will be glad to do that. Yes, sir.

Mr. BUYER. The last is about your IT architecture.

Secretary GUTIERREZ. I agree with you 100 percent. I think that when you have a decentralized IT operation, and you empower people to innovate with their IT infrastructure, what you end up with is a very dysfunctional IT network.

The first sort of test on this has been to give uniform email protocols and email standards. And what we told our CIO is when it comes to this project, you are a line manager. You have authority, and you have to be able to say no. There is nothing worse for an organization than a CIO who is constantly saying yes because that just means that you are going to get different software. People will be trying new things. They get used to their own little, you know, their own little advances and the little innovations. And then it is hard to get them back to a disciplined, centralized approach. We have a new CIO, and we believe this is working well. But I couldn't agree more that this has to be a central—they have to have authority to say no. If not, then we are going to be in trouble three, five years down the road.

Mr. BUYER. You can do that. If you need any further authorities from us, let us know.

Secretary GUTIERREZ. Thank you.

Mr. BUYER. Thank you.

Mr. DINGELL. Time of the gentleman has expired. Chair is going to turn to my friend from Indiana. Chair has had some correspondence with the secretary on these matters. And we will be sure that correspondence with him on these matters because I share his concern.

Mr. BUYER. With regard to the spectrum or all issues?

Mr. DINGELL. No, all the gentleman wishes, but I am just noting——

Mr. BUYER. OK.

Mr. DINGELL [continuing]. That with regard to the specific questions, the gentleman is referring to——

Mr. BUYER. Thank you.

Mr. DINGELL [continuing]. That those are important matters of interest to the Chairman. We have had some correspondence. We will share it with the gentleman, and then if further work is needed in this particular, we will be glad to hear the gentleman's advice on that matter.

Mr. BUYER. Thank you very much, Mr. Chairman.

Mr. DINGELL. Thank you. The time of the gentleman has expired. The Chair recognizes now Mr. Barrow for 6 minutes. The gentleman is recognized.

Mr. BARROW. Thank you, Mr. Chairman. Mr. Secretary, I want to talk economic development administration fund in brief for a little bit. EDA has been part of this government since 1965, and its mission, as I best can sum up from the materials we have, is to generate new employment, help retain existing jobs, and stimulate industrial and commercial growth. That is the mission of the EDA,

and back when it was first started back in '65, we needed a lot of economic development in my part of the country. But at least things are moving in the right direction. We are growing manufacturing jobs in my part of the country, but as a result of trade policies and a whole bunch of other stuff, we have been doing nothing but bleeding manufacturing jobs in my part of the country for years now. And so we need the kind of the help that the EDA provides.

Now, last year, the Administration tried to cut the EDA's funding by over one-fourth. They tried to cut $80 million out of a $280 million budget or thereabouts. And as a result of the omnibus appropriations, we hammered out, both sides, both houses with the Administration, we managed to maintain funding for the EDA more or less a level amount with the year before despite all the changes in priorities and the challenges we had fashioning the omnibus.

Now, the Administration is proposing to cut the EDA funding by more than a half. So last year they were proposing more than a fourth. That didn't go anywhere. Now we are proposing cutting it by more than a half by $141 million, leaving only $132.8 million left over. And a lot of this is coming at the expense of the public works budget.

Now, my question to you is in my part of the country, we benefit a lot from the pump priming that EDA grants do. You provide a lot of the seed money for building the facilities, the training facilities. And what that does is it leverages local support. It gets the economic development resources in the area that the Federal Government isn't paying for. It gives them a place to coalesce. It is a catalyst for programs, and it leverages a whole lot of economic development activity that can't be provided directly by the department. And you all are proposing to cut—the Administration is proposing to cut EDA's funding by more than a half.

My question is how are you all going to be able to help sponsor and maintain and nurture worker training initiatives if your budget is going to be cut, if we were to accept the Administration's offer to cut the budget for this agency by more than a half? What are we going to get for worker training if we do that?

Secretary GUTIERREZ. Yeah, Congressman Barrow, this was a tough one because we believe in EDA, and we have a great group of people, and they understand the role. We went into the budget knowing that we had three big priorities that we had to fund the census. We have some satellites that we are funding, and unfortunately we had one project that required a non-McCurdy special procedure and then the basic research.

So the only thing I would say about what made us comfortable about the EDA cut is that it is the type of program that you can turn off and turn on, unlike many others. So you can cut it one year, but the next year you can be back with grants that are just as high as they were. So we see it as hopefully temporary.

Mr. BARROW. In the limited time we have, I want to engage you on that because I have to say that you shut off the support for the kinds of things that you are doing that leverages support over the long haul, that has a long-term ripple effect. Just as you are leveraging state and local resources with the seed money you are providing, it is probably the most efficient way you can use your

money. To cut that off for a year or two or three is going to have consequences in outlying years, just as the benefits of your investment in capital provides benefits in that outlying years.

So if you are going to cut investments in one year, it is going to have a long-term consequence. Just as our policy up until now has been to try and reap the benefits of long-term investments, investing in things that have long-term payoff. So I have to say that I don't accept the rationale that this is an area worth cutting.

I know we have to do that census. We have to do that every 10 years. We ought to figure out a way of planning for that so that when that once-every-10-year expense rolls around, we are not bleeding support for things that provide long-term support for human infrastructure. We need to grow jobs day in and day out, year in and year out. When you do the census every 10 years, you have a plan to do both and not sacrifice the one, throw the one over the side while we try and do our once every 10 year responsibility.

I want to ask you personally, Mr. Secretary, do you think that accepting—do you personally think that accepting the Administration's proposals to cut the EDA funding by more than a half is going to help or hurt the EDA do its job? Are you here to acknowledge today that it is going to hurt the EDA for as long as those cuts are in effect?

Secretary GUTIERREZ. Well, I think it is our job to manage the budget so that it doesn't cause pain or so that it minimizes the pain.

Mr. BARROW. I just want to focus on the pain that it is going to cause. Is the EDA going to get hurt if its funding is cut by more than a half?

Secretary GUTIERREZ. We have to do our job in a way that we absolutely minimize that. I would like to say we are going to eliminate it, but there are projects that are better than others. There are projects that have higher returns. There are projects that perhaps don't merit as much.

Mr. BARROW. But is it your characterization that this is one of those things that you have to do in order to meet the budget goals of the Administration and you have to cut somewhere? Or are you actually saying that these cuts are actually in the best interest of the mission of the EDA? Because I can't reconcile those two.

Secretary GUTIERREZ. Yeah, I mean if we take EDA on its own, I think if we were a department called EDA, then I think we may think about it differently. If we look across the Commerce Department, if we look across the Federal Government, I think this is what prioritization is about, and this is what we need to do to manage the overall budget because we have some very strict priorities.

Mr. BARROW. What I am hearing is the Administration's budget basically tells my part of the country that growing jobs is not a priority, and I cannot accept that. My time has expired. Thank you, Mr. Secretary.

Mr. DINGELL. The time of the gentleman has expired. The Chair recognizes now the gentleman from Texas, Mr. Barton, for 6 minutes.

Mr. BARTON. Mr. Chairman, I was the last one here.

Mr. DINGELL. That is all right.

Mr. BARTON. I am more than willing to let Mr. Allen go.

Mr. DINGELL. Chair has recognized that is a good order with which to proceed.

Mr. BARTON. OK, fine. Welcome, Mr. Secretary. I had a number of discussions with you in person and over the telephone. So I don't need too much time for questions. I have two issues I would like you to comment on. One is the effort that the National Telecommunications and Information Administration, or NTIA, is doing to prepare for the digital transition. And the other very similar is with the public safety interoperable communications program that we have created in the DTB legislation last Congress. Could you comment on those two programs and how you think they are coming along?

Secretary GUTIERREZ. We, of course, are in charge of the converter box program as part of the transition. And we believe we are off to a good start. I mean this is a complex project, so the fact that we are off to a good start doesn't mean that we can step back and relax because there is a lot of work to do. We want to get it right. There are a lot of people involved, and we want everyone to be able to make the transition without having to have the TVs turned off. But the awareness is high. We have a lot of retailers who are involved. We actually have about 60 different companies that are offering up a converter box, and that is more than we had expected.

We have already received over six million requests for coupons. So consumers are aware of the program, and it is starting. And our curve has moved faster than we expected.

On the interoperability, we have—as you know, we have allocated the funds by state, and we are working closely with BHS waiting for the states to come back with plans. So it is actually allocating first and then asking for the plans. But that is a very important part of this is giving us interoperability for emergency services on a nationwide basis. And we believe that is also going well, and we are working with the states and working very closely with BHS.

But I think, you know, when we get to February of next year and we look back at this plan, this program, we will be so much better off as a country from a security standpoint and also from an innovation standpoint in terms of freeing up some spectrum and as well from a viewership standpoint. I think people have access to more channels, better viewing characteristics, and I think it will give us an advantage over many other countries.

Mr. BARTON. Since I still have 2 minutes, could you comment on the National Oceanographic Administration's research program on the issue of climate change? Whether you think additional funds would be appropriate and just how you see that part of your agency going.

Secretary GUTIERREZ. As we do a lot of the climate research, how climate change impacts the quality of life in general terms, we have committed to delivering 21 research projects. We have finished five, but our commitment is to have these ready by the end of the Administration. And I have received that commitment, and we are totally committed to delivering each one of those 21 products, which will give us so much better understanding of climate change, its impacts, its causes. We will know so much more, and that is what Commerce is doing.

The three products that were court directed have been accomplished. The others are still pending. We have some of them in the interagency process that has to get through, but again we are committed to finishing that by the end of the Administration.

Mr. BARTON. Thank you, Mr. Secretary, and thank you for appearing before the committee.

Mr. DINGELL. Chair thanks the gentleman. Chair recognizes now the distinguished gentleman from Maine, Mr. Allen, for 6 minutes.

Mr. ALLEN. Thank you, Mr. Chairman. And thank you, Mr. Secretary, for being here. As I am sure you know, the State of Maine's coastal economy has two important components. One is the ground fish industry, and one is the lobstering industry. And as I am sure you know, the National Marine Fishery Service has issued a sinking line rule with respect to lobstering that would greatly affect lobstermen with, in our view, very little proven effect on whale conservation.

The sinking line rule is a particular burden in those parts of the Maine coast, which are most of the Maine coast, where you have a very rocky bottom, very rough bottom. The Government Accountability Office reviewed the economic analysis of NMFS and found that NMFS—and I note these are all quotes—one, "cannot determine the overall extent to which the proposed gear modifications will reduce the serious injury or mortality to whales." Two, "has not resolved challenges associated with implementing the proposed fishing gear modifications." Three, "did not fully assess the impacts of the increased costs on effected fishing communities." Four, "has not developed a strategy for monitoring the level of industry compliance."

So my first question, in light of the uncertainty regarding cost, implementation, effectiveness, and enforceability, can you provide a rationale for NMFS going forward with this ruling other than that the service simply didn't have time to redo the analysis?

Secretary GUTIERREZ. Thank you, Congressman. I would like to get back, if I may, and provide you a written and detailed, with the benefit of the fisheries management point of view on each of the three points that you mentioned, if I may.

Mr. ALLEN. That would be acceptable. Let me add one other thing. The second question is whether or not NMFS is currently working on a better analysis to attempt to answer the GAO's concerns. So if you could cover that as well.

Second question deals with ground fish. Last October—and I take your promise. I hope this works better than it has with what I did with respect to ground fish. Last October I sent you a letter regarding the determination that the New England ground fishery was not declared a disaster, and I still have no response. That was in October. In that letter, I asked NMFS to provide a clear rationale for the decision not to declare a disaster including an explanation of what specific economic criteria are required to constitute a disaster.

I also asked NMFS to explain the decision in the context of fishing disasters declared in the past, including the economic criteria used in those previous decisions. But I have received no response to that letter last October. This last year, Maine's ground fish industry suffered a 25 percent decline in revenue and a 60 percent

decline in stateside landings. We have people going to Massachusetts, and we have lost more than 30 percent of our fishing fleet.

The question is why isn't this a disaster? Why isn't this a disaster for the ground fish and ground fishing industry in Maine? And again, you know, what are the criteria? Because these are really——

Secretary GUTIERREZ. Yeah.

Mr. ALLEN [continuing]. Very serious developments in the State of Maine's coastal economy.

Secretary GUTIERREZ. First of all, I regret that you have not received a response to the October letter because you should have received a response to that. There are very clear criteria for declaring a disaster: Impact on the economy, impact on revenues, the cause of the disaster. So that should be a very clear explanation as to why it was not done, and we should be able to provide you with some facts as to why we did not deem it so. And I will check on your letter, and I am surprised that you have not received a response.

Mr. ALLEN. Yeah, well I would appreciate a very close look at this because certainly anyone involved in ground fishing in Maine, and not just those involved in the industry itself, but also those shoreside facilities that basically provide bait and ice and fuel. I mean it sure looks and feels like a disaster in Maine right now. So I would certainly appreciate your prompt attention to that.

And with that, Mr. Chairman, I would yield back.

Mr. DINGELL. The time of the gentleman has expired. The Chair now recognizes the gentleman from Illinois. I am sorry. The Chair apologizes. The gentleman from Pennsylvania, Mr. Murphy, for 6 minutes.

Mr. MURPHY. Thank you, Mr. Chairman. And welcome, Mr. Secretary. Mr. Secretary, as we look at such things as the trade deficit, and I believe we had another month here where it said, if I am not mistaken, that the trade deficit, given the position of the dollar against the euro, has improved. And also the trade deficit with China has been changing as well. Am I correct with those numbers that——

Secretary GUTIERREZ. Overall trade deficit has improved. China, we are still in a continued surplus.

Mr. MURPHY. OK. With that, however, I noted that the articles that appeared in November and December and January, February say the exception to that is oil. That with regard to the—we are still in a climbing, an increasing deficit each month with oil imports. And as we look at OPEC basically refusing to increase production, we are still in a position where we are bowing to them. And as Congress voted a week or so ago to eliminate the manufacturers exemption to U.S. manufactured gasoline, but we maintained that for the OPEC nation of Venezuela. What do you anticipate will happen with our continued manufacturing deficit in this nation if we do not take some serious action with regard to the oil import issue?

Secretary GUTIERREZ. Yes, thank you. I was just given a note saying that I told you I was—we were in surplus with China. I don't believe I said that. We have a deficit with China, OK.

If you look at the—and you are absolutely right about the impact of oil. Yesterday we just got our January numbers, and January compared to December, our deficit actually grew by $300 million. But if you strip out the impact of oil, the deficit declined by about $3 billion. So no question about it. Oil is having an impact not just on prices but on our trade balance. I am sorry, can you——

Mr. MURPHY. Yeah, well my question is, I guess it comes to this. I mean Congress has more or less embargoed all oil drilling from the Atlantic Coast to the Gulf Coast to the Pacific Coast to shale oil in Colorado with two trillion barrels there and Alaska. I think we have also done our best to block natural gas drilling in the Great Lakes; although, Canada can do it across the molecule.

Do you anticipate that this will have a continued negative impact upon our manufacturing base if we don't do something about domestic oil?

Secretary GUTIERREZ. Yeah, I think that we need to remind ourselves that, you know, countries like France are providing 80 percent of their electricity through nuclear energy. We have not been able to come to a consensus on ANWAR for 15 years even though we know there is oil there. And everything I have read and seen suggests that it is safe and clean. We haven't built any refineries for several decades. So yes, if we really want to tackle this, while we need to work on new technologies and new sources of energy, ethanol, et cetera, renewal sources, we need to do some things in the short term. And there are things that we can do, and I think your point is—I think you have made a very insightful point, that we are probably not behaving as if though we are in the emergency that we are in.

Mr. MURPHY. Well, let me add this because you mentioned nuclear, and my understanding is we should be doing a lot with regard to improved efficiency and improved conservation. And this committee has taken some steps to improve that, yet it concerns me also that we are not building nuclear power plants yet. And there has been cancellations of orders for coal-fired power plants. In fact, I think some legislation was recently introduced in the Senate and House that would actually block more coal plants. And yet my understanding is that we will basically increase our energy demands in this country by 50 percent by the year 2030 and by 100 percent by the year 2050.

In absence of moving forward on coal plants, moving of clean coal technology, do you anticipate—does your department have any estimates of what this does to our manufacturing base in the United States, given that other countries like China have plants with no scrubbers at all and dump cheap products on us?

Secretary GUTIERREZ. Yeah, with the continued demand, I don't have a number for you. But with the continued demand coming from China and the projections of world growth, that would mean more inflation for our manufacturers. It would mean lower competitiveness. It would mean having to lower margins potentially or maybe even having to take losses. There is no question that we need to do more to get down that price. And we can do more.

Mr. MURPHY. Well, that is what I am wondering. Does the Department of Commerce prepare any analysis of the impact of en-

ergy costs in the manufacturing base and being able to remain competitive?

Secretary GUTIERREZ. We most likely are, and I believe we are because we do have—Assistant Secretary Sutton does manufacturing analysis. From the standpoint of overall cost, I am sure the Energy Department would have something, but I will check to see specifically what we have done in our manufacturing unit as part of our international trade to see if we have something there that looks out well into the future.

Today the biggest complaint I hear from manufacturers is, one, commodities. But within that, it is the price of energy, and it just keeps hitting their profit and loss statements to the point where you either have to take prices up or have to sacrifice profits.

Mr. MURPHY. Mr. Chairman, could I just ask if they do complete a report like that, that would be something that could be made available to the committee for us on some of that analysis of energy and cost of manufacturing?

Mr. DINGELL. Sure.

Mr. MURPHY. Thank you very much.

Mr. STUPAK [presiding]. Thank you, Mr. Murphy. Just to let members know, at 10:30 there is going to be a moment of silence on the floor. So we are going to continue with that hearing, but I just want to let members know when we first go, there will be a moment of silence. I know some members expressed interest in being there, so I just wanted to give you a heads up. We will continue with this hearing.

Welcome, Mr. Secretary. If I may, I want to commend you and your staff on the rollout of the Public Service Interoperability Communications or PSIC grants. As you know, the committee has put that grant program in your department to advance the ball of interoperability, something I have long advocated in my time here in the U.S. Congress. And given the rather dismal record at DHS concerning interoperability as identified by the government accounting officer, I am particularly happy that the NTIA is ensuring that these grant requests are specifically tied to statewide interoperability plans and expenditures are justified and appropriate. In my opinion, your department PSIC grant program has advanced this country's interoperability significantly down that road to achieving interoperability. And I will continue to be an advocate for it, and I will continue to do everything I can to get more money in there. I think it is a crime that we, as a country, still don't have appropriate interoperability.

One other thing, if I may, you mentioned trade in your opening comments, and I want to again compliment the Department of Commerce. In 2006, New Page under coated paper brought forth a petition. Department of Commerce found it negatively impacted our economy as Korea, China, and Indonesia were dumping coated paper illegally in this country. You said it had to stop.

Of course, the appeal went to the International Trade Commission. Last fall, International Trade Commission said, on a five-to-one vote, while we agree that they are dumping illegally, it is not a significant impact on the American economy. But you cannot tell that to my district who lost one paper mill. In Wisconsin, they are losing another paper line. In Maine, they have lost a paper mill on

coated paper. And in the last two weeks, China once again has lowered its price per ton on coated paper because they have excess supply, and they are dumping here in this country.

New Page Corporation is working on a new application, so I want to give you a heads-up. I appreciate what the Department of Commerce did before. They are trying to look at a model. We can't have the ITC saying in this vast U.S. economy this is just a small blip because in that industry and those of us who depend on those industry, we can't lose the coated paper industry.

So I want to thank you for your work and your leadership in there. Because jobs are a great concern in my district and throughout this country, I want to talk a little bit about the MEP program, Manufacturing Extension Program. It is estimated that in fiscal year 2006, MEP created nearly 53,000 jobs, generated or retained almost $6.8 billion in sales and increased private investment in manufacturing by $1.65 billion. Do you agree that discontinuing of funding for this program would inhibit U.S. competitive and manufacturing base in this country?

Secretary GUTIERREZ. Congressman, we tried to—well, we have designed the reduction in such a way that the network will stay in place. We have taken out the federal component, but there is still the state and local component. What we would be asking companies, customers of the system is to pay as if though they were paying a consultant. But the national network will continue to be in place. This is one of those cuts that we had to, you know, we had to find money within our budget. We had to prioritize, and we felt that because of the operational nature, we are focused more on basic research long-term R&D. And that was the priority.

Mr. STUPAK. I understand the logic, and I understand the Administration's trying to sort of make MEP, Manufacturing Extension Program, sort of like an independent program. But can you point to any research that would show that MEP centers could be self-sustaining? Like my state of Michigan, we have been hit heavily with loss of manufacturing jobs. MEP, Manufacturing Extension Programs, have been a great value to us. So if you are expecting the states who are hurting now in their economy to put forth the money. I don't know how that model would survive with the budget cuts and without the leadership of the Federal Government in this area.

Secretary GUTIERREZ. Yeah, I would say it would be a combination of the private sector company, the state and local. I can go back and see if we have experience on some areas where we have applied that, where we may have tested that.

Mr. STUPAK. Well, give us a model if you can. I would like to see it because I am already concerned about especially in Michigan and throughout this great nation. I only have a couple of seconds left.

Let me ask you about DTV. In fiscal year 2009, FCC asked for $20 million for DTV transition, customer education, or in other words, basically a dollar over-the-air user. By statute, NTIA's coupon customer education funding is $5 million or about 25 cents per viewer. How will this be enough to prepare Americans for the DTV transition on February 17? You mentioned the coupons that are out.

I happened to be at my in-laws. We put in a new, high definition TV for them. I had half the neighbors over asking me about the coupons, the senior citizens. They are totally confused. They have no idea. They don't know what they are entitled to. They didn't realize it is worth $40. They sent them in. They don't know where they sent it. They don't know what the next step is. I am afraid that we have a program here that, come February 17, come crashing down, and we are going to have troubles.

Secretary GUTIERREZ. I think you are right. I mean the $5 million clearly is not sufficient for a national campaign where we are making people aware of something that can be technical or for some, somewhat complex. We have been fortunate enough to get the private sector to help us out, and we believe we will have about $1 billion worth of impact of advertising to get consumers aware. And our awareness, last time I heard, was 75 percent.

But those people you are mentioning, that is what we have to continue to be concerned about is how to target those folks. So we have tried to put the advertising on network television, which is probably what they are watching. We have tried to do some instore advertising, but that continues to be the challenge. Fortunately, we do have about $1 billion of impact.

Mr. STUPAK. Thank you. My time is up, but just on DTV. They are aware of it, but they don't know what to do with it. Mr. Shimkus for 5 minutes please.

Mr. SHIMKUS. Thank you, Mr. Chairman. Welcome, Mr. Secretary. Tim Murphy was right on focus. If we are talking about commerce, economic development, competitive markets. The energy to date in this country is just critical. In fact, Chairman Stupak, in talking about being competitive—the competitive nature of this country is going to be directly related to the energy costs that are involved. And I see no way that energy costs are going down. In fact, I have a couple of posters here.

Now, I do know that when the Administration came over—I am trying to get the right amount—to Bush, I think crude oil ran about $35. We are trying to get the exact number, but when this Congress took over, crude oil prices was $58.31. When we used this placard initially a couple months ago, it was running at $96.65, and today crude oil prices are $110.

Now, in Mr. Murphy's line of questioning, you mentioned refineries in the fact we haven't built any. We continue not to do exploration and development. I also use this as one way to address that solution. And in your economic development portfolio, working with the other federal agencies, we really need to look at how we create good paying jobs across this country. And one way is to help us incentivize coal-to-liquid technologies.

Now, the premise is basically simple. Under technology gasification, you go into the coal field. This is western coal. I would rather use Illinois coal. So you go under the ground, you bring it up to a refinery, coal gasification facility, turn it into natural gas, turn it into liquid fuel, pipe it to the transportation arena. Now of course the Department of Defense and aviation fuel are very, very critical in that application.

So I would ask for your help. We have a lot of bills. Chairman Boucher and I do a price collar bill. We are working with DOD on

long-term contracting. But I am telling you if we want good paying jobs that are American jobs, and we want to have low-cost energy, we have to have a supply of credible fuel to run our manufacturing base. And this is a crisis. If we are going to expand electricity demand by 30 percent by 2020, you just can't do that by windmills and solar panels. The base load generation is still going to have to be——

I just got the price of a barrel of crude oil when Bush took over, $23.58. So we are almost getting to a point with a Democrat Congress that the increase since they have been in charge in the price of a barrel of crude oil is going to outstrip any argument they make about this Administration and the price of a barrel of crude oil. And that is a message that is going to have to be taken up because it is going to cost jobs.

And so this segues into Ranking Member Barton's question on your research on climate change, and you mentioned that it would be quality of life issues. We know that there are more deaths because of cold weather than heat injuries. We know that the cost of heating—I don't know this, and I hope you will analysis. The real cost of quality of life in a world of global climate change versus, you know, what we have been told by other folks in this country that is all negative. And I think after this winter and people are paying these energy costs because—especially in the Northeast who are paying these energy costs to heat their homes, that is going to affect their quality of life.

So I hope in these analyses and these 16 other reports that they are going to be very, very objective and give us a true depiction of the quality of life effects on global climate change, both bad, negative, and positive. And there is an assumption that it is all negative, and I don't accept that assumption.

Let me go to another area that is one of the sweet spots that I have been dealing with that deals with the Commerce Department, and that is the telecommunications arena, the Enhanced 911 Act that goes through NTIA. Through the E911 bill, you know, the authorization, we always know we never fully fund authorizations. But we are asking for some funding. We have $250 million over five years. We were able to get $5 million in a supplemental, at the end of the year. We have had trouble getting that money. Technology and innovation, enhanced 911, the ability for identification, location of individuals who, especially in rural America, who go off the sides of the road, the engine lights go off. The first line responders can't find them. We have to know where they are at. So can you just comment on that briefly?

Secretary GUTIERREZ. I believe we are working on the E911——

Mr. SHIMKUS. I didn't mean to stump you.

Secretary GUTIERREZ. That is all right.

Mr. SHIMKUS. It is just an important—everybody has their own little important segments, and this is one of mine. And that is why I asked.

Secretary GUTIERREZ. Yeah, I mean we have issued some reports, and we are fully engaged in this. I don't know if there is any specific——

Mr. SHIMKUS. Well, we are not fully engaged because we are not—in budgetary spending, we are not providing money to do the

job. So if you could just have your folks come visit me and talk about this aspect, we really want to see some release of funds somehow.

Secretary GUTIERREZ. OK, because we do have borrowing authority that you have given us.

Mr. SHIMKUS. Yeah, legislative language, I think, got screwed up on that bill, and that was 43 in 2005. We just want to see it happen. That is all. So I will yield back, Mr. Chairman.

Mr. STUPAK. Thank the gentleman from Illinois. The Pump Act lowered the price of oil by $20 to $30 per barrel in this country. Called the Pump Act, Prevent Unfair Manipulation of Prices. Mr. Inslee for 5 minutes, sir.

Mr. INSLEE. Thank you, Mr. Secretary. Thank you for the book. You gave me an interesting book. I have read three pages. I will keep going on it. I appreciate that. I want to ask you about our relationship with the EEDS Airbus Company in regards to this trade case that we have brought. As you know, the U.S. government has concluded that at least $5 billion of illegal launch aid on the A330 and A340. We have initiated a trade case then. We have heard some talk there may be a W20 ruling as early as April. And so the U.S. government basically has concluded there has been a violation of international trade laws as a result of this illegal subsidization.

I would assume that creates an unfair playing field for our domestic companies in competing with Airbus in that it allows them to offer lower prices since they are subsidized and then compete with our domestic companies including a little, small company called Boeing that has just a few employees in my district.

Could you comment on that? Is that true? Does that give them the ability to offer lower prices and gives them an illegal and unwarranted leg up over our domestic manufacturers?

Secretary GUTIERREZ. That is what we have alleged through our U.S. trade representative with the WTO, that there are subsidies across the Airbus products. And specifically you mentioned the A330. I believe the estimate is $4 billion on that. They are supposed to come back with their final ruling some time in spring/summer of 2008. So we have taken forward our information. This is being lead by USTR, and we are waiting for the WTO to come back with their findings and ruling.

Mr. INSLEE. So if that is true, if our Federal Government has concluded that there has been an illegal subsidy, and if that allows Airbus to offer lower prices to undercut our potentially bidders of our domestic companies, and if we have just issued a contract by the Administration for multiple billions of dollars for an absolute, you know, pivotal part of our national security structures which are our tankers, rather than seeking or obtaining a domestic manufacturer, the Administration will have given a giant contract to a company that the same Administration has concluded was violating international law and allowed this competitor with our domestic company to undercut on price. So haven't we turned over part of our national security to a company that we have determined was acting illegally and gives them a leg up on the contracting? And if so, how can we possibly justify that to American citizens?

Secretary GUTIERREZ. Well, we would have to go back and look at the Department of Defense's acquisition guidelines and criteria.

My understanding is that they are very strict and very precise and very clear as to what they can consider and what they should not consider. I would recommend that we do that because obviously I am not an expert on their guidelines. But my understanding is they follow those guidelines.

Mr. INSLEE. As Commerce Secretary, who I assume is diligent in jealously guarding our domestic employment situation, would you think that in our current policy we should take into consideration illegal subsidies of this nature that would have an illegal advantage of overseas competitors of this nature? Do you think we should consider that?

Secretary GUTIERREZ. Well, I don't know when the last time we looked at the procurement policies, but to the extent that they need to be updated, I don't think it would be a bad thing to debate whether we have the considerations there for today's world. But again I would hate to speak for the Department of Defense on this. As Commerce Secretary, am I worried about subsidies? Of course. We spend a lot of time on this. The Airbus case has been around for a long time. We focus on this every time we go to Europe, and we are great cheerleaders for our companies.

Mr. INSLEE. So have you weighed in on this? Have you talked to the Department of Defense and suggested it would be unwise to issue a contract like this to someone that we concluded was illegal and if not, why not?

Secretary GUTIERREZ. I am not part of the Department of Defense's acquisition process.

Mr. INSLEE. Well, unfortunately, some senators were part of that acquisition process and stopped the United States government from taking into consideration this illegal subsidy. And as a result, we are going to lose tens of thousand of jobs on the Boeing Company and all their subsidiaries in the United States of America. And we have a senator over there stopping us from considering that. I would hope we would have a counterweight somewhere in the Administration to push back, and it is unfortunate that we didn't because we are losing tens of thousands of jobs at the same time we are subsidizing an illegally subsidized company.

And that is just—I got to tell you my constituents are so angry about this. Not just the Boeing workers, but the fact that we would be chumps to allow this illegal subsidization. We have one cop on the beat blowing the whistle on them, and then we turn around and give them a $40 billion contract. And I got to tell you that is not defensible anywhere in this country, and, you know, there is a protest on this. I hope you might consider weighing in on an opinion in this regard because something is really, really—has an odor about this situation. Thank you.

Mr. WYNN [presiding]. Thank the gentleman. At this time, the Chair would recognize Mr. Whitfield for 5 minutes of questioning.

Mr. WHITFIELD. Thank you, Mr. Chairman. Mr. Secretary, we appreciate your taking time to be with us this morning. As we are considering these free trade agreements with Colombia and Panama and South Korea, it certainly raises this whole issue of foreign trade agreements. And it is an issue that is quite emotional to a lot of people, and I represent a district that 67 percent of the registered voters happen to be Democratic. And they always, whenever

we start talking about these free trade agreements, they look back at NAFTA, and they talk about the thousands of jobs that were lost as a result of NAFTA.

And I know that the Department of Commerce has conducted some rather in-depth studies of the net impact of a trade agreement like NAFTA. But wouldn't you say that there has been a net gain of jobs as a result of NAFTA, recognizing there are certain sectors that lose jobs? But is it your impression that under NAFTA that there really is a net gain of jobs because of these free trade agreements?

Secretary GUTIERREZ. Yes, Congressman, our numbers show that since NAFTA came into effect, we have added 25 million new jobs.

Mr. WHITFIELD. 25 million?

Secretary GUTIERREZ. As a country, yes.

Mr. WHITFIELD. OK. Now, another issue that is quite emotional to a lot of people is the foreign investment in U.S. assets, and we hear a lot today about the sovereign wealth funds and the growing concern over lack of transparency in that area and so forth. And the knee jerk reaction frequently appears to be that we should preclude foreign ownership of U.S. assets. What is your position on that issue?

Secretary GUTIERREZ. Yeah, I believe that would be a very dangerous position to take for our economy. We want to attract capital because capital creates jobs. Capital helps our economy grow, and the only aspect of foreign investment that we believe should be considered when making a decision is whether it impacts national security or not. I often recall the debates we had in the '80s about Japan buying up so many of our assets. I think we got through that, and we are fine. And I believe we can continue to grow and prosper and be a very strong sovereign nation with the inflow of some sovereign nation funds. I don't think we should start discriminating, and I think we should continue to tell the world that capital is welcome in the U.S.

Mr. WHITFIELD. Well, I certainly agree with you, and I do agree that if we took steps to deny that that it would certainly be detrimental to our economy. And in your testimony you also talked about the increase in U.S. exports and the reduction in the trade deficit. To what do you attribute that? And I recognize that the value of the dollar is going down. But what are some other factors that you——

Secretary GUTIERREZ. Well, two things. One is that the world economy is growing faster than it has been for a long time. Usually you have pockets of countries growing. What we are seeing now is growth pretty much broad-based throughout the world. That helps our exports. When our partners grow, we can sell them more, and that is why our exports have grown at least 10 percent for the last four years, which is quite an amazing feat if you consider that we do $1.6 trillion.

I also believe the free trade agreements help, and free trade—well, the facts show that they help. Every time we have a free trade agreement, that enables our exporters to sell more. In many cases, if you take the case of Colombia, Colombians export to the U.S. duty free, but we pay a duty going into Colombia. So why

would we do that, and why not just give us another market to which we can export without duties?

So a combination of free trade agreements, the world is growing faster. The economy, the world economy is strong, and I believe our manufacturers, our farmers, are engaged. Thirty-one percent of our farm goods are exported. Twenty percent of our manufactured goods are exported. So our businesses are very much in the international gain.

Mr. WHITFIELD. All right. Now, how concerned are you about the falling value of the American dollar?

Secretary GUTIERREZ. I was telling someone before you arrived, Congressman, if I answer that question, I will be hooked out of here.

Mr. WHITFIELD. OK.

Secretary GUTIERREZ. We try to keep that to the Treasury Secretary.

Mr. WHITFIELD. OK.

Secretary GUTIERREZ. So I apologize for that.

Mr. WHITFIELD. My time is up anyway. So thank you, Mr. Secretary.

Mr. WYNN [presiding]. Thank you, Mr. Secretary. Chair recognizes himself for questions at this time. Mr. Secretary, the Commerce Department inspector general has indicated some concern about NOA's leading management role in the geostationary operational environmental satellite program. Given a recent experience that they had with the—let me get this right—National Orbiting Operational Environmental Satellite System, including cost overruns, development programs, and the reduction in deliverable satellites, what steps is your department or NOA taking in order to address these concerns, oversight of contractors, managing system development progress against cost and schedule goals, identifying and mitigating problems, and notifying Congress about issues that threaten the timely and cost effective completion of the program's critical tasks? And I know that is a bit of a mouthful, but if you could.

Secretary GUTIERREZ. Thank you. That is a very important question because we did have a bad experience with NPOS, as you say, which triggered an increase of over 25 percent and a reduction in the scope of the project. We are trying to avoid that with GOZAR, which is the one you mentioned. At this point, we are on track to deliver that by 2015. The one thing we have done with GOZAR is that when we have issued our most recent number, we have been very careful to have mitigation plans inside the analysis in the plans. Very often, we just assume that things are going to happen always on time on cost, and we are dealing here with technologies that are brand new, that have——

Mr. WYNN. Can you specifically address oversight of contracts?

Secretary GUTIERREZ. We spend a lot of time with contractors, not just RIG. I sometimes meet with contractors, but the key thing is to have a process whereby we can monitor contractors frequently because what we find is that, you know, these are cost plus contracts. They are developing new technology.

Mr. WYNN. Is such a system in place?

Secretary GUTIERREZ. Yes, and we learn quite a bit from NPOS that we are applying to GOZAR.

Mr. WYNN. OK, so you are saying that you have an oversight program in place. Can you provide the committee with information on exactly how that program works and who is responsible for that?

Secretary GUTIERREZ. Yes, I would. Yes.

Mr. WYNN. Thank you. The other question I had had to do with NBDA. Some very interesting goals have been set in terms of increasing cumulative economic impact by $16 billion by fiscal year 2010, $23 billion by fiscal year 2015, and $30 billion by fiscal year 2020. Two quick questions. First, what do you mean by cumulative economic impact? And two, how do you intend to do this since this budget has been flat funded for the last few years and is flat funded in the '09 proposed budget?

Secretary GUTIERREZ. We have had to be more efficient with the way we are working with the money. Mr. Chairman, when you mention the $30 billion cumulative, can we just go back to that?

Mr. WYNN. The Commerce Department's submission indicates that one of its performance—MBDA's performance goals were cumulative economic impact, and I cited a series of goals. I am trying to figure——

Secretary GUTIERREZ. This is the cumulative impact of minority businesses in the country, and we have seen a substantial increase in the minority business in the country, the revenue that they do, the employment that they generate. So in spite of the fact that we have had a level budget, minority businesses continue to grow because we are not the only thing that makes them grow.

Mr. WYNN. I was going to say evidently notwithstanding the fact that your budget is flat funded. Let me try to get in one final question. As we have been discussing cap and trade, the issue of trade implications has come up. And the question I have is if we were to impose some form of tariff or taxes on foreign products coming into this country based on their carbon content in excess of U.S. companies' carbon caps, would this be subject to WTO challenge? And if so, do you have a strategy to respond to this problem?

Secretary GUTIERREZ. I would assume the WTO would have a point of view; although, I don't know exactly if they have any rulings against this. I think what we should do, as opposed to starting out by slapping tariffs on countries, is to develop the technology first because the technology is not available. And we have set some very, very aggressive goals, but we don't have technology to achieve that. If we don't have the technology, our economy is going to take a very big hit. So develop the technology, make that technology available to our foreign partners, and bring them into our own quest to reduce CO_2 emissions. But I don't think a unilateral tariff would necessarily solve the problem, and you would probably get some retaliation from them on something else that we export.

Mr. WYNN. Thank you very much. I see my time is up, and I would relinquish the chair to the committee chairman and also recognize Mr. Dingell for 5 minutes.

Mr. DINGELL. Mr. Chairman, I thank you for your courtesy. Mr. Secretary, I would like to turn to NIST scientific and technical research services and the Hollings Manufacturing Extension Partner-

ship, MEP. I believe that Hollings Manufacturing Extension Partnership is an extremely important program, especially so for manufacturing revival both nationwide and in my home state of Michigan. In fiscal year 2006, MEP created nearly 53,000 manufacturing jobs and generated about $6.8 billion in sales for U.S. manufacturing companies.

Now, we have an economic downturn in this country, and many people are calling now a recession. So the program in my view is more valuable than ever. But I note that the Administration has requested $83 million less than they did last year. How is this to be justified, Mr. Secretary?

Secretary GUTIERREZ. Yes, Mr. Chairman. Someone brought this up. We were saying that the MEP structure of the program is divided into three funding sources. One is Department of Commerce. There is state, and there is local. What we would like to do is keep the network in place, keep all the offices in place, and have the private sector customers pay part of the cost as if though they were hiring a consultant.

Mr. DINGELL. So the states—you expect to pick that up? That is how you——

Secretary GUTIERREZ. If the states and locals would continue to do what they are doing today, the remaining part should be picked up by the private sector.

Mr. DINGELL. Mr. Secretary, I didn't roll off the cabbage wagon yesterday, and I have real problems. Everybody from this Administration, when we talk about budget, comes up here and tells us we are going to do more with less and we are going to share the responsibility, share the funding expenditures, all that sort of thing, with others. The end result is that the projects are constantly cut back even though the noises that are made by the Administration are very nice. So with respect and affection for you, I have to say, Mr. Secretary, I find myself hard to accept this as being anything other than a significant cut in the program. And I regret to tell you so.

Now, Mr. Secretary, as you have indicated that then states and private interests are going to have to make up the difference in MEP. All right, now, Mr. Secretary, are you aware that according to the projections done by the Michigan Manufacturing Technology Center, states will have to reduce, if not eliminate, support for MEP centers in absence of federal funding. Now, that is the State of Michigan's briefing about the situation in our state where the economy is in rather desperate and where we have been relying most heavily upon these MEP centers. Any comment, Mr. Secretary?

Secretary GUTIERREZ. Well, having lived in Michigan, that is not good news for me either. The way we have thought about this, Mr. Chairman, and I know you don't agree with that, but strategically what we thought we should do is put our money in places where the private sector cannot, such as long-term research, basic research 10 years out, 15 years out. The private sector doesn't do or doesn't have the money to do or doesn't have the competitive environment to be able to do as opposed to operational projects such as MEP. That is the way we rationalize it from a strategic standpoint.

That isn't to say that I am trying to convince you that that Michigan problem is not a big problem. I understand that.

Mr. DINGELL. Here is your situation, Mr. Secretary. You have an economy that is in the tank. You had to pass a very, very large economic stimulus package. You have a program which has been very successful which has created jobs, created manufacturing entities that are contributing to the economic success of the country, and you are cutting them. Napoleon on military matters always pointed out that you reinforce success. Here you are essentially pretty much terminating success of programs which have been successful by reducing funding. I do not find this to be a comforting thing.

Now, Mr. Secretary, let us go to the Bureau of Census. The inspector general has reported that the census bureau has field data correction automation system contract has yet to produce handheld computers and related IT systems that can support census operations. What is the census department's estimate for additional cost of the census as a result of these development programs and problems?

Secretary GUTIERREZ. Mr. Chairman, we are going through a process as we speak because we do have concerns with the census, and we are looking at different options that would enable us to do the census without using the handhelds to the degree to which they were planned at the beginning. We will have those options analyzed, costed out, towards the end of this month. And I will be in a position to answer your question very early April. In fact, in the hearing I had on Tuesday, I was asked to come back on April 1 to——

Mr. DINGELL. With all affection and respect, we will be sending you a letter on these and other matters because I sense that you have a deficiency here, Mr. Secretary, in the oversight of the field data correction automation.

Now, let us go to the inspector general. The inspector general requests only an additional $2.8 million in funds and plans to hire just 18 extra FTEs. Mr. Secretary, what assurances can you give the committee that at this level of funding, manpower will be sufficient to monitor the Department of Commerce programs in 2009, especially programs and operations related to census, which have been plagued by cost overruns and problems with projects, development problems, one of which was just mentioned in your response.

Secretary GUTIERREZ. Yes, I should say that the IG had pointed out some problems with census, and so it is not something they missed. I believe that it is something that we should have taken their word a little bit more seriously at the time. We have a new director of IG. He has been on board for about 8 months. I believe we have a great leader in charge of IG, and I have full confidence that he understands the resources he needs. He understands the priorities, and he understands the scope of his work.

Mr. DINGELL. Now, Mr. Secretary, I note you have one more problem that needs to be discussed this morning. There will be a turnover at the position of assistant secretary in charge of NTIA. That is the National Telecommunications and Information Administration. Now, I note that this turnover is coming in the midst of critical transition on digital television, something which has been a matter of intense concern to this Committee. The committee has

to look to you, Mr. Secretary, to see to it that the individual who takes this job bear that the particular success of that particular position is assured by your personal interest and your personal responsibility in this matter because with a new hand in that particular job and with the lack of skilled hand at the wheel, unless you are tending him, I have a feeling that the concerns of this committee will be both magnified and realized by the inability of the department to address the fact that we are going to have a lot of television sets going dark, a lot of people mad about the certificates, and anger about the inadequacy of the budget and the failure of the educational program to see to it that the country is ready for this turnover. What can you do about this to assure us that we can be comfortable that the program is going to go forward satisfactorily?

Secretary GUTIERREZ. Yes, let me just say, Mr. Chairman, that I agree that leadership continuity is absolutely critical, and in this case, Acting Assistant Secretary Baker was all over this providing leadership, and she will be a big loss.

I will say this. There are about 20 people in that department who are all over this project, who own it, who have briefed me, actually briefed me quite frequently on the project who are doing a great job. So we have people in the department who have ownership for this program and have a great deal of passion in making sure that it works well.

Third thing I would say is we do have a nominee for that job, and we are hoping we will get him approved soon, and the nomination will be approved soon through the Senate.

And the last thing I will say is that yes, I am very involved in this project, and it is extremely important that we execute this the right way. And I share your commitment to making this as flawless as humanly possible.

Mr. DINGELL. Thank you, Mr. Secretary.

Secretary GUTIERREZ. Thank you, sir.

Mr. DINGELL. Mr. Chairman, thank you for your courtesy today.

Mr. WYNN. Certainly. At this time, the Chair would recognize—apologize for not calling him in proper order.

Mr. BURGESS. No apology necessary, Mr. Chairman. I accept the generous offer of additional time. Mr. Secretary, welcome to our committee. I have really three areas that I just wanted to touch on. I probably don't have time to get all of them adequately addressed, and if it is all right with you, I will ask your indulgence to submit some of these issues in writing. But I do want to talk a little bit about economic development, of course, our trade relationship with our partners in China, as well as the National Telecommunications and Information Administration, over which you have jurisdiction.

First, just as far as economic development, just very briefly, I just have to address some of the Chairman's remarks. Manufacturing extension partnerships, I recognize, are important, and I support them. But quite honestly, if the taxation regulatory environment in a particular state is so pernicious, there is only so much the MEP is going to be able to overcome. And I do think that if a state is in that much crisis, perhaps they ought to look at some of their own internal policies because it is not that way across the country.

And certainly in my own State of Texas, we have what I would judge is a very favorable tax and regulatory environment, and as a consequence, we have not been hit as hard at least at this point from the economic downturn. And I think we are fortunate for that, but part of it is because of wise policies enacted at the state level, not necessarily at the federal level.

On the issue of spending, we are spending $3 trillion or more in this budget, and it is just hard for me to imagine that more money is truly the answer. If we need more funds for MEP, certainly there are other areas where we can find that money that we are not spending it wisely, and that would simply be my counsel on that regard.

In economic development, through the miracle of redistricting, I have a district that is blessed with areas of just profound economic development. It happens after a rainstorm without any effort, but I also have areas of my district where economic development has been slow to come, and your folks at EDA have been very helpful to us in trying to push that along particularly in southeast Fort Worth. But I would just like some assurance that even though we have to devote more of our resources to the Senate during this next year or two, that we won't completely overlook the good things that economic development has been able to do to communities that have lagged behind.

Secretary GUTIERREZ. Yes, we continue to be committed to it perhaps with not as many dollars as we had, but if anything, what we are going to have to do now is really pick the projects that have the highest return and ensure that we not do those that don't have it. But there is no question about it. We are believers in economic development.

Mr. BURGESS. And I am gratified to hear that, and, of course, we will underscore that southeast Fort Worth is one of those areas where the return on equity is immense, and I appreciate the attention we have had in the past.

Now, as far as China is concerned—and I know there is a limit to the amount of time, and I probably will submit some of this in writing. But you had the China Joint Commission on Commerce and Trade at the end of last year, and specifically in the area on this committee or the subcommittee of this committee has spent so much time talking about the active ingredients in pharmaceutical agents. And then just this past 3 or 4 weeks, we have had the terrible story of the Heparin manufacturer in China where the FDA didn't even know where the lab was. We have got to strengthen that.

The American public is going to lose confidence in our ability to deliver safe and effective pharmaceutical agents. And I am just so concerned about the direction that that is taking. So I know that yes, a lot of that is under the jurisdiction of HHS, but to the extent that your department can help us with that, that is—if we lose that marketing battle, it will take forever to get that back.

Secretary GUTIERREZ. Yes, Congressman. In fact, we did get active ingredients into our agreement at JCCT that they will allow us to go in and actually have a list of active ingredients that we can audit. I think what we need to do, and Secretary Leavitt has talked about this, is have a certification system that tells us that

the manufacturers are manufacturing safety into the product and not assume that the solution is to inspect it into the product because that is a little bit too late. So you are right. It has to happen on the ground in China.

Mr. BURGESS. Of course, the concept of equivalency with the United States Department of Agriculture has come up with in regards to foods that we import that are under the jurisdiction of the FDA. And I am just wondering if the concept of equivalency, really one of the places we should start where it is so critical is in this area of the active ingredients of pharmaceuticals. And I will be—my staff will be talking to your office about that because that is something about which I feel very, very strongly.

And then finally the jurisdiction that you do have over information administration in the country. I have watched for five-and-a-half years since coming up here the struggles at the federal level to come up with a rational plan to bring medicine, to bring health care into the electronic age. And it seems to be almost a hill too tough to climb, and yet in the private sector, they are going leaps and bounds ahead of us at the federal level.

And I just wonder if there is not a place for, and perhaps it is within your administration, for some type of oversight of helping the private sector be able to do what it is doing so well, whether it is regulatory relief, whether it is relaxation of stark laws, some safe harbor on the privacy, some help with liability, and ask in return that the large players in the private sector give up some of their competitive advantage if they are willing to make it a seamless transition for a patient and not have enough jealously hold onto that competitive edge so much. But if there were an oversight area where that could be facilitated, and I almost wonder if your department wouldn't be a better place for that than HHS where they have so many other things on the table that they just simply cannot concentrate on this area. But it is critically important.

We always hear about the Ram Study in this committee. You know, every time I turn around, someone is hitting me over the head where they are going to save $80 billion on the Ram Study, but that is not for 15 years.

Ms. SCHAKOWSKY [presiding]. Mr. Burgess, if you would just wrap up the question and then give him plenty of time to answer. We are over time already.

Mr. BURGESS. The key point of the Ram Study you said incentives have to be early, they have to be limited in time, but they must be significant. And that is the part we are missing when we talk about that to HHS in this committee. And I just wonder if your committee would not be a place to provide some additional oversight and insight into that area.

Secretary GUTIERREZ. Well, I hadn't thought about that. I know that HHS under Secretary Leavitt has looked at this, and they are looking at this. And they see this as a major opportunity. If we could get seamless records for every person in the country that would be transferable through IT technology across hospitals, across doctors, we would save a lot of money and be a lot more effective and efficient.

But as you say, having consistent IT systems in one company is a challenge, and what we are saying here is we would like to have

it across the country. This would have to be a project that goes beyond one administration where we are committed to making it happen over 5, 10, 15 years because I do believe it would take long. Maybe not 15 years, but this is not a 1-year project. But I believe it is well worth it because if we get this seamlessness in records, you know, it would be—I think our health care system would just jump to a totally new level of effectiveness of transparency of efficiency which would help cost. But it is going to have to happen over across several administrations, and I think that would be the challenge for the Federal Government.

Mr. BURGESS. It will be, and we will be talking about this with the department. It is something that is so important. I do think your area has a role to play in this, and going forward, I would like to develop that concept a little bit more. Thank you for your time this morning.

Ms. SCHAKOWSKY. Thank you, Mr. Secretary. And thank you, Mr. Burgess. I think on both sides of the aisle, there is a good deal of agreement on this issue. And we would like to see the Administration at all levels help us all move forward on it. I am grateful to you for coming here and so happy that I was able to get here to talk to you. So we very much appreciate your being here to answer our questions today.

I am going to raise a question, I think, that hasn't been asked before. I am very concerned about how senior citizens in particular will cope with the transition from analog to digital television transmission. It is estimated that at least 8 million older adults rely right now on analog television sets and over-the-air television signals. Seniors are more likely to be unfamiliar with new technology and to have physical, financial, or transportation barriers that would prevent them from purchasing and installing a converter box.

These problems obviously also affect all of those that are on the margins, the poor, the disabled. But I am particularly worried that these populations will suffer real consequences if their TVs go dark on February 17, 2009. Consequences like isolation, anxiety, mental or physical decline.

So I wanted to ask what you are doing to ensure that these populations don't suffer as a result of the transition.

Secretary GUTIERREZ. Sure, and I agree, Madam Chairman, that this is one of the key concerns that we should have and one of the key issues. We are working with partnerships wherever we can. Partnerships that have access to the elderly, who know where they are, who can help them. We have also asked retailers to have people on their floors who are selling converter boxes to be able to explain how they are hooked up. And some retailers have actually gone a step further and said yes, we will help. We will actually help some elderly consumers. We will go beyond the call of duty.

The other thing that we are doing is we had originally said that we will only give coupons to private homes, and unfortunately nursing homes did not fall into private homes.

Ms. SCHAKOWSKY. That is one of my questions. Go ahead.

Secretary GUTIERREZ. And we are revisiting that because, as you can imagine, nursing homes, that would be a huge problem if they lost their transmission. So we are aware of this as a potential risk,

and we are trying to prevent this from becoming a problem every single day. And we are debating it, and the nursing home discussion we just had yesterday actually. And the folks at NTI have been all over this for about a month.

Ms. SCHAKOWSKY. There are a number of organizations to whom seniors and other come for help. For example, the area agencies on aging that work with older adults every day, and they are very well suited to provide hands-on assistance to this population. But right now, only $5 million has been allocated by the Federal Government for consumer education and outreach. And none of these dollars have been set aside to help those who will direct, one-on-one assistance in making the transition, and no further money has been requested by the National Telecommunications and Information Administration for these efforts.

I think there are some natural places that people are going to go, and I am just wondering what programs the NTIA has to specifically reach out to vulnerable populations and if there is a way to get more support for these assistance organizations.

Secretary GUTIERREZ. We are getting a lot of support from the private sector. In fact, we think we have—our estimate is that the impact will be about $1 billion of advertising. Partnerships with organizations such as AARP, which we know through their magazine, through their mail communications, we can access elderly consumers. There are other local organizations that we are working with, local partnerships. So this is——

Ms. SCHAKOWSKY. When you say working with, what do you mean? For example, how much money has the NTIA spent to do outreach to populations?

Secretary GUTIERREZ. Well, the private sector has committed about $1 billion.

Ms. SCHAKOWSKY. OK.

Secretary GUTIERREZ. And some of that has been spent. I don't have the number right now, but it has been spent on network television. We know what programs the elderly watch, so we are able to advertise on those programs. Likelihood is they will be watching network channels that you get through over-the-air transmission.

Ms. SCHAKOWSKY. Right.

Secretary GUTIERREZ. And our communications have been targeted to them. I can get you how much we spent, what kind of a media plan we have. I think you will find that it is very much targeted toward the elderly because they are the ones that use over-the-air transmission and that we are most concerned with.

Ms. SCHAKOWSKY. Thank you. And I am so glad that you are rethinking the whole nursing home situation. If it is only by one address, and there is just one coupon, that is not going to make it right. Thank you.

Secretary GUTIERREZ. Thank you.

Ms. SCHAKOWSKY. Appreciate it. Mr. Fossella.

Mr. FOSSELLA. Thank you, Madam Chair. And, Mr. Secretary, thank you for coming and thank you for your patience. Thank you for the work you are doing. I will just ask three questions and then give you the time to answer. And there are three separate topics: patent reform, the U.S. Korea Free Trade Agreement, and the summer flounder moratorium, the potential for a moratorium.

First, on patent reform. You know, Mr. Secretary, the House passed the Patent Reform Act last fall, and the Senate is considering 1145 in the coming weeks, Senate version of the bill 1145. We know that the PTO communicator of February allotted to Chairman Leahy "we need a patent reform bill that will spur innovation, strengthen intellectual property enforcement while also deterring infringement."

And we know that the patent system by design, this will be a technology neutral agency, and the perception or reality of favoring one industry over the other runs the risk of reducing competence and therefore investment in what is about a $5 trillion industry. And we know that there are certain provisions of those legislations where there are damages or how damages are calculated and who pays, who doesn't pay, and how it can really bring down entire businesses, industries.

And I just wonder if you have any thoughts on how we can structure legislation that could get passed without at least giving the perception that we are choosing one industry over another, one technology over another. To have great minds and great people in different industries pitted against one another is really not, you know, in our competitive interests. We know of companies that are actually picking up and moving to, say, Singapore, moving capital and jobs with it. That shouldn't be the American way so I am curious to hear your thoughts on that.

On the Korea Free Trade Agreement, I commend you for pushing and advocating the Colombia Free Trade Agreement. I have been working for several years on the U.S. South Korea Free Trade Agreement, and we know there is an issue with respect to beef and others. But can we have some degree of assurance that there is going to be a commitment by the end of this year on pushing the Korean Free Trade Agreement, a great ally of ours?

And finally very parochial but it affects a lot of people is we had news last week about the moratorium on summer flounder, and there is still talk about imposing one. There is still the option. But I have met with people who feel that the science is uncertain. So to start declaring a moratorium on uncertain science really would harm many recreational fishing communities like on Stap Island, businesses that would have to shut down if this fish moratorium were placed.

So I would just—if you have any information on that. If you don't, that is fine. But I urge you to go back and work on a sound policy where the science drives the process of striking that environmental concern, ecological but also economic as well.

Secretary GUTIERREZ. Sure.

Mr. FOSSELLA. Thank you.

Secretary GUTIERREZ. Thank you, Congressman. Just on patent reform, you are absolutely right that the goal should be how can we have a system that incentivizes innovation and not a system that makes innovation dangerous because it is so easy to sue someone or to use someone's intellectual property and pay very low damages. So the damages part of the reform is what concerns us, and we have said it in a statement of policy. And I think we can find the middle ground.

If you look at a spectrum, we just think it is a little bit too tilted to making it too easy to find damages and making it too easy to use someone else's intellectual property without really being punished for it. So that is the part that we can get, and I think you are absolutely right. We can make it industry neutral and find some place in the middle of that spectrum.

On Korea, we are waiting for them to get beef into it, and we are hopeful that they will be able to move quickly. But, you know, to your point, this would be the biggest agreement we have done in 15 years. This is our seventh largest trading partner. If there is concern that we have too much invested or too much committed with China, that we have too much concentration in China, the best way we could do that is to spread our business throughout Asia, and Korea would be the perfect partner.

So aside from that, they are a great ally and a great economy. And it would be to our benefit to have a free trade agreement with Korea.

And finally just on flounder, my understanding is that we would not entertain a moratorium unless we found that the fishing was exceeding the quotas, and therefore there was a risk of overfishing. And unless that is found, it would be very difficult to justify a moratorium.

Mr. FOSSELLA. Thank you very much, Mr. Secretary. Appreciate your time.

Ms. SCHAKOWSKY. Thank you. And now a vote has been called, but Mr. Matheson, I believe we will have time to have your questions and answers.

Mr. MATHESON. Thank you, Madam Chair. Mr. Secretary, it is good to see you. I apologize for being a little late getting to this hearing today. The schedule has lots of obligations. I also want to thank you for hosting the trip to Colombia a couple of weeks ago in which I participated. It was a very informative trip, and I also appreciated the way you represent this country during that trip. I think it was a very positive experience for me.

Mr. Secretary, I am a supporter of lowering trade barriers and encouraging opportunity for businesses in this country. Tell me for you what are our most important trade priorities for this country at this point?

Secretary GUTIERREZ. I would say in a very big picture sense, our priority is to grow our exports. We believe that the best way to address any imbalances that we have is by growing exports, not by limiting imports through protectionist policies. Continuing to open up markets for our manufacturers, for our farmers. You know 31 percent of our agricultural goods are exported. Twenty percent of our manufactured goods are exported. So this is important for our economy.

And continuing to level the playing field. You know we know that in some countries we are not treated as well as we treat them. And in our meetings and our interventions with those countries are always designed to level the playing field for our people.

Mr. MATHESON. Do you have a sense that—can you just talk briefly about the economic benefits of this country with the Colombia Free Trade Agreement?

Secretary GUTIERREZ. Yes, of course. And on a specific country—and I guess by mentioning it, I would say that the specific priority for trade, and the President confirmed this yesterday, is Colombia. It is really an irony here that Colombia has duty-free access to our country, and they have since 1993. So any concern that we are opening up our country to Colombian manufacturers, that has already been done, and it has been done for a long time. The only difference is that we pay duties going in.

So we buy flowers from Colombia, but the—and the flowers come in duty free. But the fertilizer that we sell them to grow those flowers pays a duty. So we have a disadvantage, and what this agreement would do is give us the same advantage that they have. So from a trade standpoint, it couldn't be clearer that this would allow our farmers, manufacturers, to export more to Colombia.

One very specific example, very specific risk, if we don't have a free trade agreement with Colombia, they are negotiating with Canada. That means they will buy their wheat from Canada instead of buying it from the U.S., and that would be a shame. So thank you for asking.

Mr. MATHESON. And this may be more a State Department question than a Commerce Department question, but there are also some regional security issues that they got to be put out there in the context on this free trade agreement.

Secretary GUTIERREZ. Yes, Congressman. And thank you for that. We know that Colombia is a big drug producer, big drug cartels. So what we would hate to see is that country fall into the hands of narco-terrorists who were close about 10 years ago to actually overthrowing the government. That is when we put in Plan Colombia. That is when we helped them out with helicopters, with social programs.

Today they have broken through. Their economy is growing. The violence is down. They have taken down some of the key leaders of the FARC in the last few weeks. In fact, when we were there, we were exposed to that news, that they took down the number two leader. So they are making progress, and they need this FTA to continue to make progress.

The flip side is if they don't have this FTA, they could actually lose about 400,000 jobs because their neighbors have FTAs. So they would be at a disadvantage. So we know well that security and prosperity go hand in hand, and we want them to continue to improve on security. In order to do that, prosperity has to continue to improve. So that FTA should be a priority for all of us, and we should do it quickly and get on with it because it is for our best interest.

Mr. MATHESON. OK, I appreciate that.

Secretary GUTIERREZ. Thank you.

Mr. MATHESON. I yield back, Madam Chair.

Ms. SCHAKOWSKY. Thank you so much, Mr. Secretary, for spending your time with us and answering our questions. Seeing no further business before this committee, the committee is adjourned. Thank you.

Secretary GUTIERREZ. Thank you, Madam Chair.

[Whereupon, at 11:25 a.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF HON. ELIOT L. ENGEL

Chairman Dingell and Ranking Member Barton, thank you for holding this hearing today. Secretary Gutierrez, thank you for taking the time out of your busy schedule to appear today. The Department of Commerce is trusted with broad range of responsibilities and their budget is a reflection of those obligations to create jobs, promote economic growth, improve standards for consumers, as well as educate them, and to keep America competitive in the global marketplace.

In regards to the President's suggested budget for the Department of Commerce, I have serious concerns that the elimination of the Public Telecommunications Facilities Program (PTFP) and the insufficient funding for the National Telecommunications and Information Administration (NTIA) will have a detrimental effect public television stations across the country and for millions of people.

The elimination of the PTFP will leave public television stations in New York and across the country without funding to upgrade their equipment, which is especially serious with the digital television transition rapidly approaching. The transition is not yet completed and public television stations will still need assistance before, during, and after the transition less than one year from now on February 17, 2009.

Consumers need assistance as well with the digital television transition. Many are not yet fully educated about what the transition is, when it will take place, how to request a coupon, and what they have to do in order to continue watching their favorite stations when it occurs. Now is not the time to further reduce the NTIA budget, when consumers need the NTIA programs the most and we are working towards a smooth transition to digital television.

In addition to the education of consumers and ensuring the smooth transition to digital television, one of the objectives of the Department of Commerce is to open new markets for U.S. exporters, protect intellectual property rights, obtain compliance with trade agreements, and enforce unfair trade laws

Recently, Kosovo declared its independence from Serbia, which the United States, Europe, and the Balkans have all rightly recognized. While the Kosovo commercial sector is not yet as robust as it has the potential to be, I feel the United States should encourage trade with Kosovo and fully utilize this new and expanding market.

Congress has also recently extended the Andean Trade Promotion and Drug Eradication Act (ATPDEA) for ten months for Peru, Colombia, Ecuador and Bolivia. A long term extension of the ATPDEA is needed to ensure predictability, stability, and smoother business planning for US industries. I believe that a long-term extension of the Andean trade preferences is crucial in promoting development in the economically and politically fragile Andean region while also supporting essential U.S. geopolitical goals. Positive engagement with the Andean region can both improve our image abroad and help us to more effectively engage our neighbors.

Mr. Chairman, I again want to say that I appreciate you and Ranking Member Barton holding this hearing, and I look forward to working with the both of you and Secretary Gutierrez.