

**DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES APPROPRIATIONS FOR FISCAL
YEAR 2005**

TUESDAY, MARCH 2, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:03 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Judd Gregg (chairman) presiding.

Present: Senators Gregg, Stevens, Hollings, Inouye, Leahy, and Kohl.

DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

STATEMENT OF HON. DONALD L. EVANS, SECRETARY

OPENING REMARKS

Senator GREGG. We will begin the hearing of the Commerce, Justice and State Subcommittee of the Appropriations Committee. We are honored today to have with us the Secretary of Commerce, Secretary Don Evans. I don't have an opening statement. Do you have an opening statement?

Senator HOLLINGS. No, Mr. Chairman.

Senator GREGG. We will proceed right to Secretary Evans. Make whatever statement you wish, Mr. Secretary, and we will proceed to questions.

Senator LEAHY. Are there going to be no statements?

Senator GREGG. I would rather get to the testimony, if you don't mind.

Senator LEAHY. I appreciate that. I would ask consent to put a statement in the record and I will use some of it in my questions.

Senator GREGG. Absolutely. We will have plenty of time for questions and you can work it in there.

Senator LEAHY. Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR PATRICK J. LEAHY

Mr. Secretary, we thank you for coming to testify before this subcommittee today. It is good to see you again. You have an especially difficult job at the moment, and none of us envy you for it.

Whether they have lost their jobs, or worry about losing their jobs, or feel frozen in place, so many American workers and their families have been hurting for the

last three years, and they are still hurting in what has been called this “jobless recovery.” Job cuts have disrupted millions of households, and the effects have rippled through our entire economy.

We have lost nearly three million manufacturing jobs in the past three years, and the economic outlook is less than encouraging. In fact, more than 2,400 employers reported laying off 50 or more workers in January, the third highest number of so-called mass layoffs since the government began tracking them a decade ago. Overall, the number of manufacturing jobs in the United States is now at its lowest level since 1950.

At the same time our manufacturing numbers are tumbling, our trade deficit is spiraling. The Department recently announced that the U.S. trade deficit reached a record \$489 billion in 2003. While the trade report shows strong domestic consumption, it also highlights serious problems with our economy’s productivity—particularly our lack of employment growth.

Back in September, the Commerce Department announced a broad proposal to help the nation’s ailing manufacturers. Among other elements of that plan, the department proposed creating a new assistant secretary of commerce for manufacturing, forming an unfair-trade-practices team to track and confront unfair foreign competition, and supporting the Manufacturing Extension Partnership (MEP) program.

I join many manufacturing and trade experts in being puzzled by that announcement. The Commerce Department already has hundreds of employees tasked with tracking unfair labor practices. And it seems that the creation of a new assistant secretary for manufacturing really may just be boiling down to changing the name and expanding the reach of the existing assistant secretary for trade development. On top of that, no one has yet been named to fill this new position.

And then there’s the matter of the Manufacturing Extension Partnership Program, which offers technical assistance to manufacturing firms to improve their performance in production techniques, marketing and exports. It does not help the Administration’s credibility to cite the value of this program and to pledge resources for it, but then to repeatedly fail to actually support the MEP program—both in the President’s budget requests and in the White House’s final negotiations on this year’s appropriations bill.

You have repeatedly asked that MEP receive around \$13 million each year, but Congress has deemed it important enough to provide more than \$106 million. It is disingenuous now for the Administration to say you support the MEP program by requesting a mere \$39 million this year. And while I appreciate your announcement that MEP would be eligible to compete for up to \$45.4 million in fiscal year 2005 economic adjustment assistance, this effort will not provide the funds our MEP centers need to continue operations and services to small manufacturers, especially after July 1, when the majority of centers face contract renewal under the drastically reduced fiscal year 2004 funding.

I am also concerned about a plan to identify federal rules that they believe impede competitiveness in the domestic manufacturing sector. Given the Administration’s record to date, it is no wonder that so many workers are concerned that this is just another Administration attempt to roll back health and safety standards that are designed to keep American workers safe. Many see this as a backhanded and back-door attack on hardworking, dedicated workers. And I see their point.

The Administration’s lack of follow-through and attention to the hemorrhaging of manufacturing jobs amounts to what could charitably be called a disconnect between rhetoric and reality. And after so much of this, the Administration’s credibility becomes a real problem and a real issue with the Congress and with the American people.

Mr. Secretary, that brings us to the Trifecta of controversial sections of President Bush’s recently released annual “Economic Report of the President.”

First, it suggested that the movement of U.S. jobs overseas—commonly referred to as offshoring—is beneficial to consumers. The President asserts that American customers will benefit from lower costs of the products and services they buy because of cheaper labor costs overseas. And the President’s top economist said that the migration of service jobs overseas “is just a new way of doing international trade.”

That comment was tossed off with a flippancy that seems to take no account of the real pain American families are suffering as more and more companies close their U.S. facilities and send their work overseas, throwing hardworking Americans onto the unemployment lines.

Second, the Report predicts that non-farm payroll employment will average 132.7 million in 2004, reflecting a 2.6 million increase in jobs over its estimated average of 130.1 million in 2003. A joint analysis released by the Economic Policy Institute

and the Center on Budget and Policy Priorities shows that to achieve the 2004 estimate, an average of 460,000 jobs a month would need to be created from February through December of 2004. In other words, about five million jobs will need to be created between now and the end of the year to hit that projection.

Finally, and perhaps most unbelievably, the Report questions whether fast-food restaurants should continue to be counted as part of the service sector or should be reclassified as manufacturers. Specifically, the report asks: "When a fast-food restaurant sells a hamburger, for example, is it providing a 'service' or is it combining inputs to 'manufacture' a product?"

Two decades ago, another administration wanted to start calling ketchup a vegetable for the purposes of the school lunch program. Redefining ketchup as a vegetable did nothing for the nutrition of our kids, and redefining every Taco Bell as a manufacturing factory would do nothing for American workers and real American manufacturers. If that is this Administration's idea of thinking outside the bun, then this Administration has a lot more thinking to do.

Mr. Secretary, for the past three years we have heard many predictions and forecasts from the Administration that have not been anywhere close to reality. We were told that the President's tax cuts would stimulate the economy—and instead the economy has weakened and tax receipts are at some of their lowest levels ever. We were told that there would be 3.4 million more jobs in 2003 than there were in 2000—and instead the economy ended up losing 1.7 million jobs over that period. We were told that budget surpluses would continue on for as far as the eye could see—and instead we have gone from a record \$239 billion surplus under President Clinton to a record \$521 billion deficit under President Bush, and if the President's budget were actually enacted, it's those deficits that would proliferate as far as the eye can see. And we were told that the Iraq mission would be swift and easy—and instead it has dragged on with no end in sight and with costs that are so astronomical that the President did not even dare put the numbers in his budget.

These are difficult times for American manufacturers and American workers, and the job of answering to them for this Administration's policies is a tough one. I hope you take a serious look at the questions we pose because there are millions of American workers out there counting on you.

Thank you very much, Mr. Chairman. I ask consent that my full statement and written questions be submitted for the record.

Secretary EVANS. Thank you, Mr. Chairman. I have a brief opening statement and I will ask for my written remarks to be submitted for the record please, sir.

Senator GREGG. Absolutely.

Secretary EVANS. Mr. Chairman, Senator Hollings, members of the subcommittee, it is a pleasure to have this opportunity to testify in support of the President's budget request for the Department of Commerce for fiscal year 2005.

Before I do that, let me just take a moment to thank Senator Hollings, who is retiring, for his service to this country for many, many years, in this body since 1966. I can't—

Senator HOLLINGS. I want you to retire with me.

Secretary EVANS. I have another plan.

And that just goes to show you that we don't agree on absolutely everything, but we agree on a lot and one thing we absolutely agree on is your love for America—

Senator HOLLINGS. Thank you, sir.

Secretary Evans [continuing]. And your service to America, your integrity that you served this body with for so many years, and I just wanted to take a moment to say thank you on behalf of all Americans.

I want to say thank you to your wife, as well, because as somebody that has just been in public service in Washington for 3 years, it is very clear to me that it is not just a sacrifice of those serving here. It is a sacrifice for the entire family, and for Peatsy and your entire family, I thank you.

Senator HOLLINGS. That is mighty generous. Thank you, sir.

Secretary EVANS. Yes, you bet. We appreciate and have benefited from Senator Hollings' focus on so many areas of the Commerce Department. You know, a lot of people said he put the "O" in NOAA, which is absolutely the truth.

The central mission of the Department of Commerce is to promote American jobs and values by creating the conditions for long-term economic growth. To fulfill this essential charge, we are requesting a budget of \$5.8 billion. This budget reflects the President's commitment to advancing our Nation's economic and homeland security.

To help American industry and workers meet unprecedented global challenges, we are reorganizing the International Trade Administration. I want to thank Chairman Gregg and members of this committee for their assistance in moving this process forward. We are creating a new Manufacturing and Services Office, to be headed by an assistant secretary. This official will be charged with ensuring that these critical sectors get a full hearing when policies are formulated. We are establishing an Office of Investigations and Compliance to monitor enforcement of trade agreements, and we are also creating an Unfair Trade Practices Task Force.

For the Census Bureau, we are requesting an increase of \$217 million to reengineer the decennial census and improve other data collection.

For the Bureau of Economic Analysis, we are requesting an increase of \$15 million for the improvements of GDP data and other economic indicators.

The NIST budget includes \$31 million to equip and operate a new advanced measurement laboratory and \$25 million for continued renovation of the NIST laboratories in Boulder, Colorado.

At this time, we are requesting level funding for the Manufacturing Extension Partnership. To leverage current funding and help small manufacturing firms, we are directing EDA to focus economic adjustment grants on areas experiencing job losses in the manufacturing sector. MEP centers serving these communities can compete for these grants. In the next fiscal year, MEP centers will be eligible to compete for up to \$45.4 million of the EDA grants. We are also looking at establishing partnerships with other Federal programs and agencies to maintain and strengthen this national manufacturing network.

In fiscal year 2005, the administration proposes giving the Patent and Trademark Office full access to its fees. An increase of over \$310 million will allow the hiring of additional examiners and faster processing of applications.

Our NOAA budget includes an increase of \$56 million for next-generation weather satellites, \$34 million to complete the third fisheries vessel, and \$24 million to better assess climate change.

Also included in this budget is funding to enhance the safety of Department personnel and visitors. Mr. Chairman, new challenges to our Nation's security necessitate new responses.

We have had to make some difficult choices. This includes discontinuing funding for the Advanced Technology Program, the Technology Opportunity Program, and for the Public Telecommunications Facilities Program. I am sure that there are members of this committee and other Members of Congress who would like to

make other funding decisions. Please know that I respect those views and I look forward to working with all of you through the budget process.

PREPARED STATEMENT

Mr. Chairman, I want to thank you and the members of this committee for your continued support of Commerce programs and initiatives. I welcome your comments and will be pleased to answer any questions that you may have.

Senator GREGG. Thank you, Mr. Secretary.
[The statement follows:]

PREPARED STATEMENT OF DONALD L. EVANS

Thank you for the opportunity to appear before you to present the Department of Commerce's fiscal year 2005 budget request. In the fiscal year 2005 President's Budget, the Department of Commerce request of \$5.8 billion reflects its continuing commitment to creating conditions for economic growth and opportunity by strengthening American manufacturing and, promoting innovation, entrepreneurship, competitiveness, and stewardship. America's manufactures provide our nation and our people good jobs, a better quality of life and inventions that have established our national identity. To that end, the Department has partnered with U.S. businesses to maintain a prosperous, productive America. We have a record of innovation in manufacturing, transportation, communications, and measurement that has helped sustain U.S. leadership of the international marketplace.

Consistent with the President's Management Agenda, for fiscal year 2005, the Department presents a performance integrated budget based upon the Department's Strategic Plan. The plans goals fully reflect the Department's mission and vision and its commitment to promoting "American Jobs and American Values."

Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers and consumers

Economic growth is a central theme for the fiscal year 2005 President's Budget and to the missions of the Department of Commerce's bureaus. To enhance the competitiveness of U.S. businesses in the global economy, the President's 2005 Budget focuses the International Trade Administration (ITA) on promoting U.S. exports, fighting unfair foreign trade barriers, and negotiating and implementing multilateral and bilateral trade agreements. ITA has created a new unit called Manufacturing and Services, focusing on the domestic and international aspects of U.S. industrial competitiveness; working with U.S. industry to evaluate the needs of American manufacturers; assessing the economic impact of new and existing government rules and regulations on U.S. manufacturers; and representing and advocating for the interests of the U.S. manufacturing and services sectors.

For fiscal year 2005, ITA has three new initiatives. ITA requests an increase of \$4.5 million for the Administration's Capital Security Cost Sharing Program (CSCSP) to cover the State Department's capital security costs associated with building new embassy compounds. CSCSP is scheduled to begin in fiscal year 2005 and continue through fiscal year 2018 and all agencies represented in embassies will be charged on a worldwide per capita basis. ITA requests an increase of \$0.5 million for the Activity-Based Cost Accounting and Management System to allow for more precise management and planning of resources as well as a better understanding of ITA's performance and commitment to priority activities. ITA has begun implementing this system with existing resources and requires these funds to complete the project. ITA also requests an increase of \$0.2 million for the Free Trade Agreement Secretariats to enable ITA to meet a requirement under the Singapore and Chile Free Trade Agreements.

The Minority Business Development Agency (MBDA) will continue to focus on accelerating the competitiveness and growth of minority-owned businesses by closing the gap in economic opportunities and capital access. The President's 2005 Budget requests an increase of \$3 million for MBDA to conduct an annual survey of minority owned business enterprises (SMOBE). The SMOBE will provide more timely, frequent and comprehensive statistical data about the minority business universe than the current 5-year SMOBE. The President's 2005 Budget also requests an increase of \$2.1 million for the Business Development Centers and Minority Business Opportunity Committees programs to improve opportunities for minority businesses in

areas with the highest minority business density. Finally, the President's 2005 Budget requests an increase of \$0.5 million for MBDA to establish trade activities in response to the President's and the Secretary of Commerce's initiative on trade promotion for U.S. minority businesses with Asian Americans and Pacific Islanders. This activity will increase the access of minority business enterprises to global markets.

The President's 2005 Budget request for Economic Development Administration (EDA) will help accelerate the Nation's economic growth by promoting a favorable business environment to attract private capital investments and higher-skill, higher-wage jobs. The President's 2005 Budget requests an increase of \$5 million for EDA to assist areas that demonstrate a high level of economic distress from long-term economic deterioration or that are suffering from sudden and severe dislocation to their economies.

The Bureau of Economic Analysis (BEA) seeks to strengthen the understanding of the United States economy and its competitive position. BEA accomplishes this task by providing accurate economic accounts data in a timely and cost-effective manner, and by supplying the Nation's key economic statistics, including Gross Domestic Product (GDP). The President's 2005 Budget requests an increase of \$15 million for BEA over fiscal year 2004 for two initiatives. The first initiative will continue to generate more timely economic data, meet U.S. international obligations in complying with international standards for reporting statistics, and acquire real-time data to improve the quality of BEA measures. The second initiative will produce up-to-date annual estimates on business investment spending and employment and compensation data by industry.

The President's 2005 Budget requests an increase for the Bureau of the Census of \$217 million over fiscal year 2004. These additional funds will be used in the Bureau's multi-year effort to reengineer the Decennial Census by implementing the American Community Survey, modernizing its geographic database information, and developing plans for the Decennial Census in 2010 using only a short form. Census also plans initiatives to improve the quality and timeliness of trade statistics, to improve the measurement of services by expanding the number of industries covered, to develop a stronger presence in electronic government services by allowing businesses to file survey information electronically, and to strengthen its measurement of migration within the United States.

As part of our ongoing efforts to improve the review and enforcement of export license conditions, the President's 2005 Budget is requesting funding for the Bureau of Industry and Security (BIS) to develop a comprehensive export license condition, compliance and enforcement program. This program will enhance the enforcement of license conditions by working with exporters to ensure that they have in place appropriate export management systems and devoting dedicated resources to detect and prosecute violations of license conditions. The President's 2005 Budget is also requesting funding for BIS to establish an Office of Technology Evaluation that will enable the Department to implement and maintain a more effective system of dual-use export controls that better protects U.S. national and economic security. The new Office's duties will include identifying new technologies for potential inclusion on the Commerce Control List and the comprehensive review of items already on the list to ensure that items are appropriately controlled for the protection of U.S. national security.

Goal 2: Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science

Important priorities for the National Institute of Standards and Technology (NIST) in fiscal year 2005 are to upgrade facilities and laboratories, to protect critical research data from degradation, and to maintain employee safety and security. The President's 2005 Budget provides increased funding to NIST laboratories for continuing construction projects and high priority research areas. The request includes \$31 million to equip and operate the Advanced Measurement Laboratory and \$25 million for continued renovations of NIST's Boulder, Colorado facilities. Consistent with the Administration's continuing emphasis on shifting resources to reflect changing needs, the fiscal year 2005 budget proposes to terminate the Advanced Technology Program and to commit stable funding for the Manufacturing Extension Partnership.

The President's 2005 Budget request for the U.S. Patent and Trademark Office (PTO) will support the third year of the PTO strategic plan to keep pace with workload growth and to enhance the quality of products and services. In fiscal year 2005, the Administration proposes giving PTO full access to its fees. An increase of \$310.9 million will allow the PTO to improve processing capacity by hiring additional patent examiners, deliver an operational electronic patent application processing sys-

tem, continue moving to an electronic trademark operation, expand quality reviews to all stages of patent and trademark examination, and cover the full accrual of retirement costs for its employees.

The President's 2005 Budget increase request of \$7.1 million for the National Telecommunications and Information Administration (NTIA) will provide the resources necessary to improve dramatically the overall capabilities of NTIA to research, manage and represent internationally the government's and industry's spectrum usage. These funds will increase the efficiency of radio spectrum usage through a paperless system, explore alternative incentive systems, meet increasing demand for Federal wireless systems; improve our Nation's preparation for and representation of U.S. interests at International spectrum usage conferences; and upgrade NTIA's lab facilities used to support this important work. The fiscal year 2005 Budget continues the proposal to terminate the Public Telecommunications Facilities, Planning and Construction and Technology Opportunity Program grants.

Goal 3: Observe, protect and manage the earth's resources to promote environmental stewardship

This budget supports the core activities of the National Oceanic and Atmospheric Administration (NOAA), including fisheries and ocean programs, climate research activities, and weather forecasting capabilities, as well as the satellite infrastructure necessary to support these functions. In addition, the request continues to focus on maintenance and safety issues associated with NOAA facilities, vessels, and aircraft.

The 2005 Budget makes investments in critical fisheries and ocean programs. The Department continues to work to improve the management and economic sustainability of the Nation's marine fisheries with a continued focus on fisheries science and stock assessments. To this end, the Budget invests \$34 million to complete NOAA's third fisheries survey vessel. This vessel will meet international standards for research surveys and will substantially improve the quality of NOAA fisheries research. Additional investments are requested this year to maintain safe and efficient maritime commerce through enhanced electronic navigational charts and improved collection of data on coastal water levels.

This budget continues the Administration's focus on climate research and devotes \$23.7 million of new funding to expand climate observing capabilities. This funding will allow NOAA to help fill critical knowledge gaps identified in the recently released Climate Change Science Program Strategic Plan, including research on aerosols, oceans and the natural carbon cycle. NOAA's funding is one component of a government-wide initiative which will provide \$103 million over two years to accelerate climate observations. The Administration will continue to work with the international community to develop a comprehensive, global earth observation system.

Continuing to seek improvements in weather forecasting, the Administration requests funding to expand air quality forecasts nationwide. This program will help mitigate the estimated 40,000 deaths and \$147 billion spent treating air pollution-related illnesses by providing advance warning of poor air quality. Also included are investments in improved long-range weather forecasting, as well as continued improvement of NOAA's NEXRAD radar system, replacement of the communications gateway through which all weather-related data flows to local weather forecasters, and modernization of the cooperative observer network.

To support NOAA's weather and climate programs, the Administration requests an additional \$56 million for the continued development of next-generation geosynchronous and polar-orbiting satellite programs. To support current and future satellite operations, the Administration requests funds to occupy and operate NOAA's new satellite operations facility. This budget also includes investments to maintain and repair current NOAA facilities, for operations and maintenance of the OSCAR DYSON, NOAA's first new fisheries research vessel, and for the HI'IALAKAI, a vessel acquired from the Coast Guard for research in the Hawaiian Islands.

Management Integration Goal: Achieve organizational and management excellence

The Administration places a high priority on the protection of our employees and guests. The Herbert C. Hoover Building (HCHB) is in close proximity to multiple high-profile locations in downtown Washington D.C., but lacks adequate protection against an explosive blast in the vicinity. This request proposes a blast mitigation project for the facility. The upgrades will reduce the degree of injury due to glass fragments and, in the event of a chemical/biological/radiological attack, will significantly reduce the air infiltration of toxic substances. This will provide the employees with precious minutes to escape the building or to enable them to "shelter-in-place," if required. The funding request for the Security Management Application will pro-

vide for the development and integration of a new corporate management application system to enhance the Department's personnel security management capabilities.

The Department is also requesting an increase in resources for the Inspector General's Office of Investigation to provide adequate coverage for all Commerce activities. This increase will allow the Office to strategically deploy its investigative resources, thereby enhancing its ability to detect and prevent fraud. The projected \$11 billion cost for the 2010 Census necessitates the OIG to increase its level of oversight to improve planning and lower risks, particularly in the areas of statistics and systems evaluations.

The Department of Commerce has a rich history, and after traveling the country meeting with both the Commerce employees and the customers we serve I am confident it will have a rich future. I look forward to working with the committee to ensure that together we are providing the best services possible.

Senator GREGG. Again, we thank you for taking time to come. It was very nice of you to acknowledge Senator Hollings' great service to this country, which we have done on a number of occasions in this committee. It is totally appropriate, especially relative to the Commerce Department, where he has played an extraordinary role. What is it, 33 years?

Senator HOLLINGS. I've been on the subcommittee since 1971

Senator GREGG. And chairman or ranking member of this subcommittee, I think, for 27 years or something like that.

Senator HOLLINGS. Yes, sir.

NOAA'S N-PRIME SATELLITE

Senator GREGG. Nothing has happened at the Commerce Department that Senator Hollings hasn't been involved in. One of the things that he can take a lot of credit for and which we think is appropriate is a strong NOAA program. We congratulate the Department for its efforts in this area but we are concerned about the funding levels in a number of accounts there. Overall, this committee is totally committed to the NOAA efforts and we will have some issues with our House members on that, but we enjoy that little tussle every year and we usually do pretty well in it.

I did have a question about the satellite program. I understand one of the critical satellites was dropped on the floor.

What is the status of that? Is it the N Prime?

Secretary EVANS. Yes, N Prime, that is correct.

Senator GREGG. And who is liable for what appears to have been some negligence possibly?

Secretary EVANS. Mr. Chairman, we don't have that complete report yet. We are in the process of working with Lockheed Martin, and NASA and NOAA are working together to look very carefully at the issues of cause and liability as well as what it is going to take to make sure we have the service needed to deliver the weather forecasts to this country in the out-years.

We are close, they tell me, to having a final report that we will deliver to Congress, but we are not there yet.

Senator GREGG. If we conclude that the cause was outside of NOAA and NASA but it was the responsibility of a private contractor, that the damage occurred as a result of their potential negligence, and I don't know whether it was negligence or not—

Secretary EVANS. Right.

Senator GREGG [continuing]. But potential negligence. When you drop a satellite on the floor, it does seem to lead to that concern.

Are we going to pursue legal remedies to get recovery of, what is it, about \$400 million?

Secretary EVANS. I am certain that we will, Mr. Chairman. I am absolutely certain that we will. We have our lawyers looking at this very carefully and that is our conclusion. I am sure we will be pursuing the total recovery of the loss as well as, at the same time, we need to make sure we are putting a plan together to cover the gap that this might be creating as it relates to satellite coverage during the period that N Prime was scheduled to be launched.

INTERNATIONAL TRADE ADMINISTRATION REORGANIZATION

Senator GREGG. You spent a lot of time on ITA's reorganization. Could you tell us the status of that and how it is going?

Secretary EVANS. Well, Mr. Chairman, it is going well, and we have spent a lot of time on it. I appreciate the support of this committee. We have been very focused on the manufacturing sector of this economy, spent 1½ years on travel around America, across America, talking to manufacturers all across America, listening to their concerns, their challenges, something I know a fair amount about since I spent 30 years of my life in the manufacturing sector of this economy. So I am very familiar with many of the challenges that they deal with on a day-to-day basis.

DOC MANUFACTURING REPORT

We have made significant progress. We presented to the country a manufacturing report in January. It laid out over 50 recommendations that we feel will help create an environment for our manufacturers to continue to succeed in the global economy. That is the goal. We need to continue to improve the conditions so it is easier for American manufacturers to succeed in this ever-changing economy.

One of the central pieces of it is to establish a new Office of Manufacturing Services that will have an assistant secretary that is a Senate-confirmed position, of course. We hope to have a name up to the Senate within the next few weeks. We certainly have a candidate that we are very focused on.

But we are not resting there. I mean, it is time to move on with the many recommendations that are a part of this report. One of the areas where we are going to spend a lot of energy, a lot of resources, and a lot of focus, is in the area of enforcement, not only when it comes to enforcing other trade agreements around the world, but just focusing on making sure that the countries are focused on enforcing their own laws. We are doing that through market access and compliance. We have beefed up the resources there.

We beefed up the resources in the Import Administration within the International Trade Administration. We have done that. We have established what we call an Unfair Trade Practices Task Force. This is a task force that will be focused on being a proactive task force. In fact, part of their responsibility will be monitoring 30 products that are coming in from China, just monitoring those products and making sure they are in compliance with our trade laws.

So I would say we have made great progress. You don't put a report out that is not the end, that is the start. That is the begin-

ning. I have traveled across America, continue to do that, letting all manufacturers know that they have one place they can go to express their concerns. They can provide their challenges. So we look forward to working with the manufacturing sector of our economy. We will continue to do so.

I think one last thing I would say, Mr. Chairman, is, as I say, there are 50 recommendations, over 50, so there are lots of recommendations, but I will be responsible for a working group, an interagency working group, where we will bring all of the agencies together to stay focused on the manufacturing sector. This will ensure that we have ongoing communications across agencies and across departments, because, obviously, many of the agencies and departments within the administration have responsibilities that relate to creating an environment for manufacturers to succeed.

And so we are going to make sure that there is very active communication among the agencies as well as setting up a President's Manufacturing Council, Advisory Council, which will be individuals from the private sector, small, medium, and large manufacturers will have a seat at the table so that we can hear their views and hear their concerns as we continue to consider policy in this administration in this town.

So we are making good progress. Thank you again for your support, but we have a lot more work to do. We know that.

Senator GREGG. Thank you, Mr. Secretary.

Senator Hollings?

ASSISTANT SECRETARY FOR MANUFACTURING AND SERVICES

Senator HOLLINGS. I thank the distinguished Secretary and our chairman for their kind comments. It has been a privilege to work with both of you.

With respect to manufacturing, when is this office of the manufacturing services, the gentleman or lady to be appointed? It was announced months ago.

Secretary EVANS. It was. It was, Senator, but this is a Senate-confirmed position and we really didn't have the authority to move forward on it until you passed the 2004 budget. The authorization is within that budget. The budget passed. We have been moving aggressively. We have an individual that we have selected. Now we are just going through the process and I believe that we will have that name to the Senate within the next couple of weeks.

But in the meantime, Grant Aldonas, who is the Under Secretary of International Trade, it is his responsibility to make sure we are moving forward on these recommendations that are within the report within the Import Administration. We are moving forward with monitoring products coming in from China with the Market Access and Compliance Office. We are moving forward on putting a task force together to make sure that other countries are enforcing their laws.

So we are not slowing down. We are not waiting for the confirmation of one individual. We have a report that has over 50 recommendations in it and I expect our Department to deliver.

AMERICAN JOBS

Senator HOLLINGS. Do you think the Department should be leading efforts to export jobs, for the elimination of American jobs specifically, for sending jobs to, let us say, China?

Secretary EVANS. I think we ought to lead for creating jobs in America. I want everybody—

Senator HOLLINGS. You and I agree on that, and that is why I was wondering about reading articles on Under Secretary Juster or Juster—how do you pronounce that?

Secretary EVANS. Juster.

Senator HOLLINGS. Juster. He has these innovation forums at the Ronald Reagan Building and last year with the United States-India Business Council and otherwise coming right on down all year long to December. I refer specifically to an article in the New York Times, December 10, and let me read just a couple of lines.

“After the opening speeches, the 50 or so American executives gathered at the Hotel Pennsylvania in Manhattan were invited to divide up. Those interested in investing in China, putting an operation there and hiring Chinese workers were to go across the hall to the Penntop North Conference Room. Those who wanted help in exporting to China were to stay seated in Penntop South. Half or more went across the hall.”

It was stated that across the hall, most of the speakers were Chinese promoting what Shen Ligu, Vice Governor of Heilongjiang Province in Northeastern China, described as, quote, “Northeast China’s beautiful prospects.” Quote, “We are going to absorb a lot of foreign investment to bring about development in this area.” A big blue banner over the thing says, “Go global.” The Commerce Department was described by the Chinese as a sponsor and its representative, Mr. Spencer Ross, acted as moderator.

Now, there you go. You folks are working to get rid of the jobs and we here in the Congress are doing our best to hold on to the jobs. What is your comment about this?

Secretary EVANS. Sure, Senator. I think, in fact, I know and I am very clear, that it is the responsibility of the Commercial Service, the Export Assistance Centers that we have across America, and the Foreign Commercial Service Offices that we have around the world to promote the export of American-made goods and products and services and that is—

Senator HOLLINGS. I agree with you on that. That is on exports of goods. But how about exports of jobs? You just said we are trying to maintain jobs and create them in the United States.

Secretary EVANS. Right. I want everybody to hire American workers. I want foreign companies to hire American workers. I want small, medium, and large companies to hire American workers. I want to continue to create an environment in America where everybody wants to hire our workers and buy our products and—

Senator HOLLINGS. The Under Secretary Juster and Spencer Ross and all, are they carrying out the policy of the Department of Commerce?

Secretary EVANS. Yes, sir, indeed, I believe that they are. They are continuing—

Senator HOLLINGS. Well, the policy is, then, to export the jobs, because I am just reading here where that is what they are doing.

Secretary EVANS. Well, I would take issue with the article, Senator. I would say that we were there promoting the export of our goods and our products and our services. If there are people that want to export equipment to China from the United States, we want to be supportive of that. We have to be there to explain to them how it is that you go through customs and the procedures necessary to export equipment and goods and services around the world.

Senator HOLLINGS. Well, the Commerce Department often sends, and I am quoting, its representatives to events like this one at the Hotel Pennsylvania last month, but it dulls their pro-export message by delivering it at conferences dominated by the Chinese delegations urging American companies to invest in China, not export.

Secretary EVANS. Well, if they—

Senator HOLLINGS. You have been in the business 30 years. If you went to an oil conference to try and export your oil and all of a sudden foreign delegations were taking over the majority of the activities and the speakers and everything else, we are going to import the oil and put you out of business down in Texas, after 30 years' experience, you would do something about it, wouldn't you?

Secretary EVANS. Well, I would be there encouraging them to buy a Caterpillar engine and take it with them to drill the well. I would be there encouraging them to purchase equipment from the United States to use wherever they might be going. And so we are there in the capacity of American capital, and American capital does invest in other parts of the world. As we continue to work with the world, I want to encourage these American companies to take American equipment with them when they go, and that means more jobs here in America.

Senator HOLLINGS. Mr. Secretary, just one other question and I will yield because I have got other questions relative to—

Senator GREGG. We can go around again. No, go ahead for your second question.

MANUFACTURING EXTENSION PARTNERSHIP

Senator HOLLINGS. It is the National Institute of Standards and Technology. We reduced this some \$177 million. Specifically, we just practically eliminate the Advanced Technology Program and the Manufacturing Extension Partnership Program. You just close out the MEP with only a recommended appropriation of \$39.1 million. Just year before last, we had it up to \$107 million. The Advanced Technology Program, there is no question that we have had 200 new technologies commercialized as three-quarters of the ATP programs are awarded to small businesses, and I could go down the success story because it has won the Council on Competitiveness Award.

It was really fashioned with caveats by myself, but Senator Danforth wanted to make sure it wasn't a pork program and just giving out awards. So the application has to be vetted by the National Academy of Engineering. After it is found to be a unique kind of technology, then you have to bring 50 percent of the financing and then on a competitive basis over at the Department itself stand in line for that particular award.

I have been on the Appropriations Subcommittee here for quite a while and we never have given out any pork projects. I don't have—if I have one in South Carolina, I don't know about it, but I do know about its success because the Council on Competitiveness and Young from Hewlett Packard and all have come and attested.

But now you just red-line it and we are talking about getting jobs and helping manufacturing and we are going to appoint an Office of Manufacturing Services, and yet we are eliminating the services.

Secretary EVANS. Well, Mr. Chairman, Senator, I would say to you that these are programs that have delivered an important service through the years. I would also say to you that we are at war and there are very tough choices that have to be made and priorities that have to be set. I would say to you that these have been two good programs that have been of good service, but given the current environment of making tough choices in the middle of a war, they are just not two that made the list for us.

Senator HOLLINGS. You believe both should be eliminated?

Secretary EVANS. No, I didn't say that, because—

Senator HOLLINGS. But you are eliminating them. Are you supporting the budget or not?

Secretary EVANS. No. What we are supporting is to fund MEP at the same level that it was funded in the current budget. We are supporting funding MEP in the year 2005 at the same \$39.2 million that is in the 2004 budget.

And also, Mr. Chairman, what I would say to you is we are looking for ways, as I mentioned earlier, to work across administration lines to make sure that all of the resources that are available to manufacturing are being delivered or they are aware of them. We will spend in the 2005 budget about \$132 billion on research and development. We said that one of the areas that have additional funding possibly available to MEP programs is in the Economic Development Administration. There are some \$45 million there that Manufacturing Extension Partnership Centers can compete for with others that might be competing for the same funds in an area of our country that is distressed because it has been hit hard by the downturn of manufacturing in that particular community.

Senator HOLLINGS. Since you mentioned it, the \$45 million of the EDA, \$40 of that \$45 million has already been committed and now EDA is distressed. You have got high unemployment and everything else like that. Over here, there is a highly technological program in the development of manufacturing and what you have done, having them compete for the same monies, it is like tying two cats by the tails and throwing them over the clothesline and saying, claw each other and see who can get the money, but that is about the way we are on that. Thank you.

Senator GREGG. Senator Stevens? Traditionally, we recognize the chairman of the full committee whenever he arrives, and it was my error not to recognize you earlier. I should have recognized you before I recognized myself if I want to keep my job.

Senator STEVENS. Mr. Secretary, they do this all the time. It is all right.

I am happy to be here with you, Mr. Secretary. I have got just three questions I would like to ask. I would like to just submit some technical ones to you, if I may.

Secretary EVANS. Sure.

Senator STEVENS. The first is personal. Are you going to come up and go fishing with me this year?

Secretary EVANS. You are trying to get me on the record, aren't you?

I sure hope to.

ASSISTANCE TO ALASKA FISHERMEN

Senator STEVENS. In 2002, we put some amendments on the Trade Promotion Act that would assist the Alaska salmon fishermen who had been really harmed by the importation of farm salmon, particularly from Chile. It provided that for 5 years, there would be a \$15 million item to assist these people to transition to other forms of employment, to develop other economic opportunities in their areas.

So far, there has only been a portion of the first \$15 million made available. Could you comment on that or tell me you will look into it and see what is happening? It should have been \$15 million a year, and there are some growing opportunities now in tourism in particular and in small business development along the coastline that they might be able to move into if they had the kind of assistance that EDA could provide through that \$15 million.

Secretary EVANS. Yes, I know how important those areas are. We are supporting those areas, Mr. Chairman, and we obviously will continue to support them. I am familiar with the \$15 million commitment. I know that it is not all in there yet. I will tell you that I will look into it further to see what it is we can do to make sure that we fund that at that level.

Senator STEVENS. I hope you will, because with half the coastline of the United States, some of those villages and communities are located literally hundreds of miles from other communities. But we have found now with the advent of telecommunications and with the Internet capability, they can start businesses like answering the telephones for some motel chain. You would be surprised what is there if they have the funding to transition into sort of modern global commerce. So I think that \$15 million is well spent if we can find some way to put the money up. I would hope you would help us find it.

CRAB RATIONALIZATION PROGRAM

Second, I met with the Administrator of NOAA concerning the crab rationalization plan recently. I think Bill Hogarth is doing a marvelous job for you. This is a program that was enacted this year and we are trying to make certain that the regulations and actions that are necessary to implement this crab program are in effect by the crab fishery, which will take place in early 2005. This is a crab fishery that has had the highest death rate of any industrial activity in the country for a period of years.

We have enacted a program which will take the race for that crab out of the system and allocate firm amounts of crab to a boat owner so he or she may harvest the crab when the weather is good.

But if the regulations aren't in effect come January, they will be back racing for the crab again and lose more boats. We lost one this January, a very sad loss.

I would hope that you would help us find a way to implement this by the end of this year. Are you familiar with the program, Mr. Secretary?

Secretary EVANS. I am, Senator. I am very familiar with it. I know Bill Hogarth, as you said, is very focused on the issue. He is working with the North Pacific Fishery Management Council to implement the regulations. I haven't had anybody tell me that we won't be able to be in full compliance of our charge of having those regulations in place by the end of the year, so we are hopeful that we are able to accomplish that.

OCEANS POLICY COMMISSION

Senator STEVENS. Thank you. Last, Senator Hollings and I have been involved with carrying out the policies of the Stratton Commission that was a commission from the 1960s, really. We have now a new Oceans Policy Commission expected to release its report either this month or no later than next month. I wonder, are you keeping pace with them? Will you be able to appear before us and give us some recommendations based on that report for possible action this year?

Secretary EVANS. I sure would be delighted to do that, Senator, if I am invited up to do that. We have been working very close with Admiral Watkins and Robert Ballard and others on the Commission. It is my understanding that the draft of the report will be out within the next few weeks and then there will be a chance for individuals to comment, give information back to the committee.

I would say to you our best guess is we probably will have a completed report by mid-summer, and so I am looking forward to the report and I salute you and Senator Hollings both for really being instrumental in providing the framework for this Commission. I think it is going to be a very valuable resource for us to review and understand what there is to explore in the oceans. But I am hopeful that we will have this report presented to Congress, to the President, in its final form, by mid-summer.

Senator STEVENS. My good friend from South Carolina is going to pursue other activities after this year, and since we have been partners in this for so long, I would hope we would have a chance to review it here in this committee and to make some recommendations to Congress to implement that report while he is still here.

The Stratton Commission has been, as I said, our guiding light, but we are going to have a new series of recommendations that I think should be implemented as rapidly as possible and I am hopeful this committee, Mr. Chairman, will see fit to have a hearing as soon as we can after that final report is presented to us by you and the President.

Secretary EVANS. Thank you, Senator.

Senator STEVENS. Thank you very much, my friend. Thank you, Mr. Chairman.

Senator GREGG. We will certainly do exactly that. It is a very important issue.

Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman.

PATRIOTISM

Mr. Secretary, when you began your remarks here this morning, you commended Senator Hollings' patriotism, and I think every one of us would agree with that. We should also commend yours. I know in your case coming into Government also involved your personal friendship with the President. It is not an easy task. Whether we agree or disagree with policies you might carry out, I don't think there is anybody, Republican or Democrat, who disagrees with your own sense of patriotism and your own commitment to this country.

Secretary EVANS. Thank you, Senator. Thank you very much.

U.S. ECONOMY

Senator LEAHY. What I worry about, we have families that are hurting. They see a jobless recovery, 3 million manufacturing jobs lost in the past 3 years. Our manufacturing jobs in the United States are now at the lowest level since 1950 and I am worried about that, whether it is in my State or yours or any other State. This is such a major part of the economic engine of this country and probably one of the reasons why our trade deficit is so high. Our trade deficit was almost half-a-trillion dollars in 2003, \$489 billion to be exact. These things bother me.

I look at the Commerce Department's proposal to help the Nation's ailing manufacturers, the proposal of a new Assistant Secretary of Commerce for Manufacturing, as we have talked about, supporting the MEP program that you and Senator Hollings just talked about. I am not sure how a new assistant secretary does anything. You already have hundreds of people doing this at Commerce, and they are supposed to be doing that job to begin with.

Senator Hollings said on MEP, which I think is a very, very good program, it has gotten strong bipartisan support. The President's budget doesn't really match the rhetoric. The reality doesn't match the rhetoric. The money is not in there. I was here with the final negotiations on the appropriations bill, where the rubber really reaches the road, and the White House was not pushing for the extra money on MEP. We are not going to have the money for our centers to continue operations and service our small manufacturers. And those small manufacturers are in every one of our States. So that is a bother.

PRESIDENT'S ECONOMIC REPORT

I look at sort of the trifecta of sections in the recently released Economic Report of the President. First, it suggests that the movement of U.S. jobs overseas, commonly referred to as offshoring, is beneficial to consumers. The President's top economist said this migration is just "a new way of doing international trade." Well, that is kind of a flippant way for somebody to speak who has a job.

If you know you have 2 months left on your job because you have to train somebody to do the same work in India or Indonesia, you don't think this is a great, new way of doing jobs. If you worked hard going through school, you have learned the trade and sud-

denly it is leaving. The administration's rhetoric is not going to do very much if you want to send your kids to school.

The report also predicts that non-farm payroll employment will average 132.7 million workers in 2004. That would be a 2.6 million increase in jobs over the estimate in 2003. But then you have an analysis from the Economic Policy Institute and the Center for Budget and Policy Priorities that says that you would have to create something like 460,000 jobs a month to do this. You would have to have 5 million jobs between now and the end of the year added.

That is not going to happen unless you do the other thing in the report, and that is the question they raised, whether fast food restaurants should continue to be counted as part of the service sector or part of the manufacturing sector. They say specifically, "When a fast food restaurant sells a hamburger, for example, is it providing a service or is it combining inputs to manufacture a product?"

I remember about 20 years ago, and Senator Hollings, you were here, and Senator Stevens and Senator Inouye were too, I had taken a bunch of reports back to Vermont with me to read them over the weekend at my farmhouse. I also serve on the Agriculture Committee. And I am reading something in there and I remember calling one of the lawyers on the committee. I said, "Am I reading this right?" They hadn't seen it. They read it and they called me back and said, you are absolutely right. The administration is reclassifying catsup as a vegetable. I do have a 5-year-old grandson who probably believes it is. He loves it.

I mean, the only way you are going to get some of these jobs, as I see it, is to do the catsup as a vegetable thing, to say if you work at Taco Bell, you really have a manufacturing job.

These are just some thoughts of mine. I have a number of questions I will submit for the record.

Mr. Secretary, I see good news and bad news in my own State as some areas were able to get jobs, but I just see so many manufacturing jobs fleeing. I see it in South Carolina, in Alaska, and in Hawaii, Wisconsin and everywhere else. I don't think just reclassifying some of these things is going to do it, just my thought.

FOCUS ON CREATING JOBS

Secretary EVANS. Senator, thank you for those comments and observations. Let me just begin by saying I think at the very center of America, the very center of the American experience is a job, because that is where people go to get a paycheck to put a roof over their family's head, to feed their children, to educate their children, to provide health care for their children.

I spent 30 years of my life in the private sector doing everything I could to create jobs. I measured the success of our company by are we creating jobs in our community? The most painful thing, the most painful thing I have ever done in my life is tell somebody they didn't have a job, which I did. The best thing, the most enjoyable thing I ever did in my life was telling somebody they had a job.

So I agree with you, when you put your focus on jobs and how important it is to create the environment for creating more jobs in America, because there is nothing more painful than somebody not having work to be able to provide for their families. That is where

a lot of our focus should be, is on those individuals that are in transition from one job to another.

And in the economy that we are going into as we move into the 21st century, as we work more closely in the world in a growing global economy, it is going to be an ever-changing economy. We are going to be creating new industries in this country, as we have been for years. We are going to be creating new jobs in this country, as we have been for years. But we are also going to be losing them along the way, as we have been for years.

As we move into the 21st century, we are going to see this rapidly-changing economy. Individuals that enter it today, instead of just having maybe four or five different jobs in their lifetime, they may have four or five different careers and——

Senator LEAHY. But Mr. Secretary, what are the kind of jobs we are going to create? I mean, I look at MEP, which is something that helps so many of our small businesses create jobs around this country. But that is being cut. I mean, where are these jobs going to be? We told kids over the past few years to get your math skills, get your work skills and all because we are going into this service area of computers and so on and that is the place to go. They did it, and now they are training people to do their jobs in Asia or in India.

I understand some things change, but what are we doing? We have got a half-a-trillion dollar trade deficit. Doesn't this ring alarm bells that we are not creating jobs, we are just importing everything?

Secretary EVANS. Well, Senator, first of all, where are the jobs going to be created? As you mentioned, manufacturing jobs have been declining in this country and in this world for the last 40 years because of the higher productivity in the manufacturing sector of the global economy.

Today only 11 percent of the jobs in this country are manufacturing-specific jobs. So almost 90 percent of the jobs in America today, where people are going to get a paycheck, to feed their children, to put a roof over their family's head, are jobs that are outside of the manufacturing sector of our economy, and we are going to continue to create new industries and new jobs.

I have traveled all across America the last couple of years. I was in Portland, Oregon last week at Portland Community College, and I heard story after story after story of individuals that were there in their 30's or 35 and changing, moving from one career to another, learning new skills, having the task to meet the ever-growing demand of jobs in America.

So it is education and job training. We have 1,100 community colleges across the country, 11 million people in those community colleges developing these new skills and new talents that will meet the demands in these ever-new industries that we are creating in this country every year. It has been going on for years.

In specific areas, you are obviously going to see a lot in the biotechnology area, in the whole technology area, in health care and services. You are going to see tremendous growth there in the years ahead.

And so this is an economy that since its beginning has always shown a remarkable ability to create new industries and new jobs.

You go back to 1900. About 70 percent of the jobs were in the agriculture community. Now, 2 percent. So it is just the economy, because it is so dynamic and because we allow the free markets to work—

TRADE DEFICIT

Senator LEAHY. Mr. Chairman, if I might, Mr. Secretary, and my time is up, I know, but half-a-trillion dollars in 1 year in trade deficit, we are still not doing something right.

Secretary EVANS. Well—

Senator LEAHY. My time is up. You may want to respond to that for the record.

Secretary EVANS. I will just respond real quick. I think it is the others in the world who are not doing something right in that their economies are not growing as they should be. And as we travel the world, we tell other countries, you need to implement the kind of policies, economic policies, fiscal policies, monetary policies, regulatory policies that provide the environment for growth in your own countries and so you can create more jobs and that will benefit American workers and American businesses. We need more global economic growth. We can't be the only engine of growth in the world.

Senator GREGG. Senator Kohl?

Senator KOHL. Thank you very much, Mr. Chairman and Secretary Evans.

MANUFACTURING EXTENSION PARTNERSHIP

I know the purpose of these hearings is to bring information to the table and hopefully to educate from one side to the other, from you to us and from us to you so that good things can happen. They are, as you know and I am sure you agree, not intended for just one side or the other to mouth previously held positions and both sides leave having learned nothing. That is the purpose of our hearings. We listen to each other and we hopefully learn and grow.

It is in connection with that that I would like to come back at least once, perhaps finally at this hearing, to the MEP program. As you know, the MEP program is Manufacturing Extension Partnerships, a program which helps small and medium-size manufacturing firms around the country to streamline their operations, shorten production time, lower costs to enable them to better compete here and around the world, and as a result, increase their employment.

And, as you know, and I don't say this in any way less than complimentary fashion, in your best judgment, that program deserves to be cut. It is not fully funded. It is fully funded as of last year, but it is not fully funded as to where it was 2 and 3 and 4 years ago. So to say it is fully funded is not accurate. It is a program which your Department has made a decision deserves to be cut.

To say that it can compete for other funds elsewhere is to rather obfuscate the fact that it is a program which does not deserve, in your Department's judgment, does not deserve to be funded at its level of 2 years ago and 3 years ago and 4 years ago. It deserves to be cut by almost two-thirds, and then go out and compete for funds and probably not be very successful because the competition

is really, really tough among many, many different well-qualified operations to compete for a limited amount of funding, and they are not going to get fully funded relative to where they were 2 and 3 and 4 years ago.

But it really is a good program, Secretary EVANS. You know, during this last break, I visited at least two programs around Wisconsin, MEP programs, and heard from many, many others, and I visited one program with James Haney, who is the President of the Wisconsin Manufacturers and Commerce Organization. It is Wisconsin's preeminent organization of its kind. They have 4,300 members representing business around the State. It is really a good organization. It politically happens to be an organization which is totally supportive of Republicans in terms of political, but they are really not that. They try and be and they are an effective bipartisan organization.

So I visited the Bernston International Company in Madison, Wisconsin, the manufacturing operation with him, and he wrote back to me. He said, "Senator Kohl, it was a pleasure to tour Bernston International with you last week in Madison. This company is just one example of many MEP successes that I have personally witnessed in Wisconsin. I completely agree with you that MEP is one of the best Government investments around and it should be fully supported at the State and at the Federal level."

He goes on to conclude that, "We need to prioritize our economic development initiatives and judiciously place taxpayer dollars in those investments that provide the best return for our State and our country and there are many programs that should not make this cut. However, MEP is one Government investment that ranks at the top when evaluated against criteria of national need, effectiveness, and results. We should not shortchange or undercut this excellent program."

"I understand the Senate Commerce, Justice, and State Appropriations Subcommittee will be reviewing the manufacturing support program this week. Please urge the Secretary to do what he can to restore MEP funding at the level of \$106 million," where it was. This is from a longtime, experienced, highly respected businessman in Wisconsin.

Tell us why you have concluded that MEP does not deserve to be funded at its previous level. Thirty-nine-point-six million dollars, which is its new level of funding, for a national program in terms of Federal support is virtually an evisceration. This is not for one State, this is for all 50 States, \$39.6 million. It is not hard to imagine that this is a small, small level of support.

Our opinion is it is for a really good program and there are thousands of businesses around the country that would attest to it. So one last time, explain to us why does this program deserve to be significantly minimized in terms of its direct Federal support?

BUDGET CHOICES

Secretary EVANS. Senator, again, it is about tough choices. I agree with you in that it has served many small and medium manufacturers well over its period of existence. It will continue to serve many small and medium-size manufacturers well at a reduced level.

I would say to you that while we have made the decision, the tough decision of saying we need to, because of the tough times that we are in and the priorities that must be set within our own Department, we are doing all we can to make sure that if there are other funding sources available to Manufacturing Extension Partnership Centers, we want to make sure they are conscious of those opportunities.

I would just go back to my other remark, that we are spending about \$132 billion on research and development. We are spending \$20 billion on economic development. Within these two large pools of money, maybe there are opportunities for Manufacturing Extension Partnerships to compete. We have identified some already that I have referred to. We are talking to the Department of Defense. We are encouraged by some of the discussions that are going on there because of their interest in making sure that small manufacturers are participating in their programs. We don't have anything definitive yet. We are just talking to them.

We are doing the same thing with Homeland Security. Homeland Security has about, as I understand it, \$800 million for research and development kinds of programs. Maybe there is opportunity there, so we are talking to them.

We are trying to look across Government to see where there may be additional funding that these centers can compete for. I know the challenges these manufacturers face because I was in that business. I know that industry. I know the kind of challenges they deal with every day.

So again, I continue to acknowledge that I think the program has functioned well, but it is time for tough choices and this is one of those very difficult choices that we made and acknowledge that doesn't mean we are all going to agree with our two choices. I respect, obviously, your view on it, but we felt like this was one of those tough choices where we were going to—and saying fully funded, I would agree, it is what I meant to imply was funding in 2005 at the same level that Congress approved for 2004, which is, and I acknowledge, below the funding of previous years.

SUPPORT FOR MEP

Senator KOHL. All right. One of the companies I visited was the Risota Tool Company of Chippewa Falls, Wisconsin, and we toured the company, talked to the owners of the company and people who work there. MEP had been in and they had done a lot of scheduling and efficiency improvements and profit improvements in the company. Those people who worked there were totally complimentary, totally supportive of what MEP had done and they felt that MEP had contributed significantly to the company's ability to continue to exist, employ, and compete. There are dozens and dozens of companies around Wisconsin that will attest to the same thing and I am certain that this is true around the country.

Now, as I said at the outset, we all hope that these hearings serve to educate one another or else they have no purpose, and so I am finally suggesting to you that you take one last look. It is policy we are talking about, that is the most important thing, but it is also political. Everything we do here has a political aspect to it.

Although not the most important, it is part of what we do here in Washington.

I can assure you that in my State, and this goes back to when you were in the State several months ago touring the State, you visited Harley-Davidson, you remember that——

Secretary EVANS. You bet.

Senator KOHL. I saw it on C-SPAN. And, of course, people at Harley-Davidson, many of them were very concerned and upset about their jobs. One individual stood up at that meeting that you had with the workers there and asked about MEP. I don't know why or whether they did it out of their own knowledge or someone prompted them, I don't know, but talked about MEP and how important MEP was. James Haney, who is the President of Wisconsin Manufacturers, talks about MEP.

It would be very, very well received in Wisconsin, which is an important State in November, but it has nothing to do with policy—I mean with politics. Policy is the most important thing we do. I recognize that and I am sure you do, too. People in Wisconsin are really concerned about the loss of manufacturing jobs and are looking for every shred of help they can get at the Federal level to assure them that we are doing everything in their power to help them maintain jobs at the manufacturing level in Wisconsin and MEP is a recognized and accepted part of that effort in our State.

So I am asking you as well as Chairman Gregg, as we go through and figure out our funding levels for this year, and, of course, Senator Hollings, who I know is supportive of MEP, that we give it another look to see whether or not there is something in the interest of our country that we can do with a program which is small in terms of its funding, but very important in terms of what it does accomplish in many States throughout our great country.

And with that, I am finished.

Secretary EVANS. Thank you, Senator.

Senator KOHL. Thank you.

Senator GREGG. Your counsel is taken very seriously, Senator, and we will certainly be addressing it. The opinion has been expressed, obviously, by the committee. But as the Secretary said, he had to set priorities in his budget. We will maybe adjust and tweak those priorities a bit and send him back a budget he will be very comfortable with but will certainly address some of the concerns of the committee.

Senator Inouye?

CLIMATE CHANGE RESEARCH INITIATIVE

Senator INOUE. Thank you very much, Mr. Chairman.

I would like to discuss two matters with you, Mr. Secretary. In 2001, the President of the United States launched the U.S. Climate Change Research Initiative and that was hailed by the people in the Pacific for obvious reasons. Climate is part of our way of life. More than ever, it is pleasant and beautiful, but there are times when it can be devastating.

So the matter of climate change is very essential to our way of life, and I note that in this budget the President has suggested \$24.7 million. But in analyzing this, we somehow feel that to make

this up, there were cuts of \$11 million from the same program. I would like to submit a few questions with that in mind, sir.

TOURISM INDUSTRY

The other question I have, sir, is the tourism industry. Today, I think it employs about 1 million. It brings in about \$83 billion. It has been declining, and especially since 9/11 it has gone further down. But the World Trade and Tourism Council just predicted that 2004 may be the year for tourism to start going up, provided Government took the initiative to be proactive and put out a hand to bring them in.

My questions would be, what is Government doing, or what can Government do, or what can we do to increase this industry, because it is a good, clean, potentially productive industry. That is all I have, Mr. Chairman. Thank you very much.

Senator GREGG. Thank you very much, Senator.

Senator INOUE. May I submit the questions?

GLOBAL CLIMATE CHANGE

Secretary EVANS. I would like to respond. First of all, let me just touch on global climate change real quick, if you don't mind. When I arrived here a little over 3 years ago, that was an issue that the President was very focused on, as was our Department, and we started to try and understand the scope of the global climate change commitment from Government, which is significant.

First, I was told that on global climate change we spend about \$800 million a year. And then we found some other money that really is focused on global climate change and it took us up to about \$1.6 billion a year. And then as you looked around some more, you found some others that would, you know. The end of the story is that we commit about \$4.5 billion a year to global climate change in this country, more than everybody else combined, global climate change science and research and technology.

We put together an organizational structure to oversee that \$4.5 billion. Within the Department of Commerce is the responsibility of the oversight of the science portion of global climate change, which is about \$1.8 billion across the Government. We have put out a report for the science community to review and consider. We did that last year a couple of times. We just recently put out a final report that focuses on the science side, the science research side of global climate change, which got some favorable comments, from the National Research Council.

In June in Japan, we are going to bring together the global community. This will be for the third time, but it continues to expand. We will have the global community there to sign an accord, a framework that focuses on a global monitoring system, a global observation system for the climate so that we can develop the kind of data, kind of information we need in this world to understand the world, this Mother Earth that we all live on, but also make sure globally we are collecting the data to make good policy decisions.

So just know that we are very focused on that very important issue, not only for the good people of the islands of Hawaii, but the entire world, and I feel the world coming together to say, you know

what? That is a good idea. We ought to have a global observation and monitoring system. The reason we know so much about El Niño and La Niña is because we happen to have an observation system out there so we measure out there. So why don't we measure the world and understand what is going on in the world. So that is my basic thoughts on global climate change.

Your second question was on—

Senator INOUE. Tourism.

TOURISM

Secretary EVANS. Tourism. We had hoped that we were going to receive \$50 million in the budget to promote tourism in America. We have put together a Tourism Council that is focused on promoting America around the world. As it turned out in the 2004 budget, there was only \$6 million allocated for that account, for that program, and so what we have made the determination that we will do, working with the Tourism Council, is to focus a pilot program on Great Britain and commit those \$6 million to Great Britain and look at the results of that program, and based on the results of that program, we will make a determination as to what to ask for in subsequent budgets.

But you are right. It is a vital part of our economy. Eighteen million people, when you count the entire travel and tourism industry, have a job there, and so it is a critical part of our economy and we will continue to do all we can to promote it. Thank you, Senator.

Senator INOUE. Thank you very much.

PTO INCREASE

Senator GREGG. Mr. Secretary, there is a 25 percent increase here for the Patent and Trademark Office, which is basically taking all the patent fees and putting them into the Patent and Trademark Office, which is a legitimate philosophical position. In light of the Patent and Trademark Office's track record, which is to say at the least spotty, do you think they can absorb that type of an increase?

Secretary EVANS. Well, Mr. Chairman, I hope they can because I think it is critical to manufacturing in this country. What we certainly are learning in this ever-changing economy that we are moving into is that the manufacturing sector is growing or becoming less mechanical and more driven by biotechnology and electrical kinds of issues. It is much more complicated. It is much more complex. Patents just simply take longer, take more resources, take more hours, take more time to review and then make a judgment on.

It is our determination, as we look at this important area that if we don't hire additional examiners—in fact, in our plan right now, we talk about hiring an additional 900 examiners. That is on top of about 3,600 examiners. But if we don't hire at that kind of level, which I agree, a 25 percent increase is a significant increase, but we see the prospects of the pendency continuing to climb. It was a little over 20 weeks in 2003. We estimate in 2004 it is going to be 21 weeks. We see it continuing to climb but for a plan that will indeed give us the examiners, and the training of the examiners that are needed in this ever-changing economy.

So we believe we can absorb them. I have asked that same question. I realize that is a big management challenge, but I also understand how critical the Patent and Trademark Office is to this economy. As rapidly as it is changing and as it continues to move in highly technical areas and highly complicated areas that require examiners with skills in electronics and biotechnology and all the rest. It is a challenge, but it is an area we focused on very hard.

Senator GREGG. Well, I think it is a challenge. It has been this committee's experience that when we have put a lot of money into a Department to hire a large amount of expert staff, for example, we did it with the SEC, we did it with the FBI, we did it with the State Department, we have found that it has created real problems. We have ended up with some breakdowns in the hiring practices. We have ended up either not hiring up as quickly as we wanted or hiring up with real problems, like the Border Patrol.

I have serious reservations about putting this much money, this quickly, into the Patent and Trademark Office. I readily acknowledge your premise, which is that there is a serious problem there, that we are not getting the patents approved fast enough. I think the problem is expertise and management, systems management. We would be interested in further information on how you really do plan to find 900 new people who have the expertise to do this job in one year's cycle. I think it is——

Secretary EVANS. A good question.

[The information follows:]

PTO'S HIRING PLAN FOR 900 NEW STAFF

On a percentage basis, the USPTO has increased its staff by even more in the recent past. Hiring 900 examiners in fiscal year 2005 represents an increase of about 25 percent over end of fiscal year 2004 staff levels. In prior years, the Office has successfully hired similar numbers: In 1998, they hired 728 examiners, an increase of about 34 percent over the previous end-of-year staff; in 1999, they hired 799 examiners, an increase of about 31 percent over the previous end-of-year staff; and in 2002, they hired 769 examiners, an increase of 25 percent over the previous end-of-year staff.

The USPTO maintains an automated job application database to facilitate the hiring of patent examiners. The database currently contains about 3,700 applications. We have a strategic recruitment plan in place to build awareness of examiner job opportunities through a variety of print media that target high-demand technologies, and planned participation in about 60 recruiting events this fiscal year that are dedicated to engineering and science disciplines.

The agency has had a special hiring unit in place for several years that is dedicated exclusively to bringing in patent examiners. In years when the agency had high-volume hiring, the unit has brought on board an average of 37 examiners per bi-week (962 per year), with the ability to process and train up to 60 examiners per bi-week (1,500 per year).

MANUFACTURING EXTENSION PARTNERSHIP

Senator GREGG. Senator Hollings?

Senator HOLLINGS. On that particular point, that dovetails with the observation of the distinguished Secretary relative to Senator Kohl's concern about the Manufacturing Extension Partnership. Specifically, the Secretary says there are hard choices. Respectfully, I think it is a very easy choice, not a hard choice at all. You want jobs, I want jobs, we all want jobs, and that Patent Office, \$310 million, let us just say \$210 million, give the \$100 million to

MEP and we would be back up to snuff with the Manufacturers Extension Partnership small business services.

Senator GREGG. You only need \$67 million.

Senator HOLLINGS. Don't start cutting me. Wait until we get to conference.

BUDGET CHOICES

The Office of Manufacturing and Services, heck, we are going to get us a big super-duper secretary of services and we cut down the services, and when we get to a real service, as pointed out and emphasized by Senator Kohl, you say hard choice. That is not a hard choice, that is an easy choice. Give the money where it is producing jobs.

Now, I don't accuse you, Mr. Secretary, but I have been through a dozen Secretaries. Now, Census is a honey pot that doesn't need as much funding as you propose because you are ramping up 7 to 6 years ahead of time the 2010 census. So we can take \$100 million of that and restore MEP, an easy choice. I could go through this budget and really get the things.

I really am disturbed, and you mentioned technology. The Advanced Technology Program, that is one where all that high tech is really there and vetted by the National Academy of Engineering, and decisions are made on a competitive basis and they have to bring 50 percent of the money.

Let me get to the point given our limited time here, because we are going to have a rollcall, you and I both agree that our job is to create, not to export jobs. Export products, but create jobs. Would you object to a provision under this particular appropriation that no monies be expended to encourage or expedite the export of jobs? You wouldn't object to that provision in the budget?

EXPORTING OF JOBS

Secretary EVANS. I am not for the exporting of jobs—

Senator HOLLINGS. That is what I mean. So you are not doing it, so it wouldn't have any effect, then.

Secretary EVANS. Right.

Senator HOLLINGS. And that would include the pay of these staff cheerleaders that go to these Chinese conferences. We don't want to pay those fellows, Ross and all the rest, the assistant secretaries who run around to these Chinese conferences in New York and elsewhere promoting the export of jobs. I am sure you and I agree on that.

Secretary EVANS. Well, they are promoting the export of goods and services from America and equipment.

Senator HOLLINGS. Good, and you and I agree on that. They ought to do that, but not the export of jobs.

Secretary EVANS. No. It would be exporting the goods and services from America.

Senator HOLLINGS. That is right, and so we don't want to pay them to export jobs.

Secretary EVANS. Just the export of goods and services and products from America.

Senator HOLLINGS. And we don't want to pay them to export jobs.

Secretary EVANS. We want to pay them to export Caterpillar engines and John Deere tractors and—

Senator HOLLINGS. A 30-year outstanding business success and you keep saying export goods and services, which we all agree on. I am questioning on whether or not we can agree on the export of jobs.

Secretary EVANS. No. We should not. We are not supporting the export of jobs.

OCEAN PROGRAMS

Senator HOLLINGS. Now, with respect to the oceans program that Senator Stevens, our distinguished chairman, emphasizes we are going to have to get into those issues because we have an outstanding commission appointed by President Bush and they are reporting henceforth here, like you say, around mid-summer.

Secretary, under the leadership of Chairman Gregg, we have been developing, and it has been a struggle in this Appropriations Subcommittee, in that we put in, generally speaking, about \$15 million for seven-tenths of the Earth's surface, namely the oceans, and \$15 billion for Mars and moons. We know way more about the surface of the Moon than we know about the surface of the Earth.

And yet the Ocean Exploration Initiative, the Ocean Health Initiative, the Coastal Estuarine Land Acquisition Program, the Coastal Observation Initiative, NOAA's infrastructure for the multiple lawsuits and all, you terminate or cut the funding. You cut NOAA as we are going into a wonderful venture and really find out, like you say, about the weather and the climate all the way around the world.

I have been down to McMurdo Station in the South Pole. That is where the beginning of the hole in the ozone layer is. You can look up and see it. All of these initiatives are through NOAA, but their budget is being cut \$308 million just as we are going to hear from the Watkins Commission. Please comment on that.

Secretary EVANS. Senator, what I would say to you is I think we all share the same view that we are looking forward to the report that comes from the commission. I think it will provide a very important and valuable framework for us in determining what the priorities should be and what the funding level should be. I think these are some of the finest scientists and leaders we have in our country that are focused on this invaluable resource of the Earth and it will give us good guidance and some important guidelines as to what priorities should be and what funding levels should be in NOAA or as it relates to the oceans.

You mentioned this is not a large sum of money, but when we showed up here 3 years ago, there was, I understand, zero dollars for ocean exploration. This last year, there was \$25 million that included a one-time center in the Smithsonian. But now this year in our budget, I think there is \$11.7 million for ocean exploration.

I realize, I take your point, this is a small amount of money, but what I would say to you, when we showed up, it was zero and now it is \$12 million. But I think it is a wise thing to wait for the Ocean Commission report and look at that and see what kind of priorities this country should place on funding levels for NOAA.

Senator HOLLINGS. We want to work together to be able to implement that commission's recommendations next year. Thank you, Mr. Chairman.

Senator GREGG. Senator Kohl, do you have anything further?

Senator KOHL. No.

Senator GREGG. Senator Inouye?

Senator INOUE. No, Mr. Chairman.

ADDITIONAL COMMITTEE QUESTIONS

Senator GREGG. Mr. Secretary, we certainly thank you for your time. You have been very generous with it this morning.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR JUDD GREGG

NOAA SPACE INITIATIVES

Question. Mr. Secretary, since our hearing, you've had a chance to review the N Prime situation in further detail. First, could you explain/document how the N Prime satellite was damaged and the impact on NOAA's satellite program? Second, would you provide an update on what the Department is doing to recover losses and get the program back on schedule.

Answer. The NOAA-N Prime spacecraft fell from a turnover cart on September 6, 2003 at the Lockheed Martin Sunnyvale, California plant as technicians rotated the satellite from vertical to horizontal to perform an alignment operation on one of the instruments onboard. The root cause of the accident was that the satellite was not properly secured to the turnover cart. The accident caused significant damage to the satellite structure and varying degrees of damage to the instruments, including three provided by International partners. Fortunately, many flight components were not on the satellite at the time of the accident. Spares are available for most of the spacecraft components and three of the five U.S. instruments. Two instruments will need to be repaired.

The impact to NOAA's Polar-orbiting satellite program is currently under review. NOAA has formed an interagency team with its partners at NASA and the Department of Defense to develop and recommend recovery options that will ensure NOAA's responsibility to provide continuous global environmental measurements given the NOAA-N Prime accident. The Under Secretary of Commerce for Oceans and Atmosphere will make a final recommendation to me regarding the way forward from the NOAA-N Prime accident. I will render a final decision in the Spring 2004. The Department of Commerce and NOAA will brief Congress at that time.

The Department of Commerce, NOAA and NASA legal staff are investigating the government's options for recovering losses from Lockheed Martin.

Question. Mr. Secretary, the President's budget calls for major new space initiative to return to the moon and explore Mars. But, it is NOAA in your Department, not NASA, that is responsible for exploration here at home. Yet, the Budget proposes to cut or terminate ocean research, ocean exploration, undersea research and such programs here on our planet. Why such uneven treatment, Mr. Secretary? Why do NOAA's oceanic and ecosystem programs fare so badly in this budget?

Answer. The Administration recognizes the importance of both space and ocean exploration. Given the tight fiscal environment, the Administration is required to develop priorities and make difficult choices. The fiscal year 2005 President's budget reflects these priorities. The Administration does place value in exploring the oceans and is continuing support for the ocean exploration program at a level of \$11.2 million. We will continue to work hard to ensure the success of the ocean exploration program, and we thank the Congress for its continued interest in this area.

Question. Mr. Secretary, as I look at your budget, it appears that the Commerce Department decided to cut NOAA and use the savings—over \$300 million—to fund other bureaus like the Census Bureau, ESA and International Trade Administration. Many have argued that as a natural resource and science agency NOAA will never flourish inside the Commerce Department. Doesn't your 2005 budget support their arguments?

Answer. The \$300 million net reduction to NOAA's request reflects the elimination of one-time projects and programs added by Congress to the fiscal year 2004

request. The fiscal year 2005 budget request is supportive of NOAA's mission. The budget maintains current services and provides over \$146.9 million in new program increases.

ADVANCED TECHNOLOGY PROGRAM AND HOMELAND SECURITY TECHNOLOGIES

Question. Mr. Secretary, the fiscal year 2004 Conferees agreed that a focused competition on homeland security technologies should be held out of ATP's funding provided for new awards. Will the Department of Commerce support ATP's involvement in this type of R&D? Can you provide detail for the Committee on the design and implementation of this competition?

Answer. The fiscal year 2004 solicitation process for ATP applications is currently being undertaken. It is expected that a significant number of the enabling technologies ATP will fund this year will have homeland security applications. In the recent seven-city ATP "Proposers Conferences" that are designed to attract potential applicants, the Director of the Program conveyed Congressional interest in funding homeland security technologies.

After the fiscal year 2004 Omnibus Appropriations Bill became law on January 23, 2004, the 2004 competition was initiated on February 11, 2004, with a Federal Register announcement stating the availability of funds in the amount of \$60.7 million for new ATP awards.

Given the compressed fiscal year 2004 budget calendar, ATP was unable to run an entirely separate competition that focused solely on homeland security technologies in addition to its general solicitation. Notwithstanding, ATP takes its obligation to follow the intent of Congress seriously, especially with regard to homeland security. ATP expects to receive a number of applications and fund a number of new awards for homeland security technologies. NIST has also offered to provide assistance and expertise to the Department of Homeland Security in conducting their own competitions that fund homeland security research.

NIST/MANUFACTURING EXTENSION PARTNERSHIP

Question. Mr. Secretary, in the Administration's manufacturing report there is a recommendation to "support a newly coordinated manufacturing extension partnership." What is meant by "newly coordinated"? Your budget doesn't support this, does it?

Answer. One of the recommendations in the DOC Manufacturing Report is to "Support a Newly Coordinated MEP and Create a National Network of Centers of Manufacturing Excellence" by: coordinating MEP fully with other Commerce Department programs that are helping manufacturers to be more competitive and expand markets; focusing all MEP centers on effectiveness and cost efficiency; exploring the concept of receiving funding from private sector entities; encouraging applicants to identify areas of sector-specific expertise that could qualify them as a "center of excellence"; and encouraging co-location with universities, community colleges, and ITA assistance centers to foster cooperation, knowledge transfer, greater efficiency, and manufacturing exports.

All of these efforts comprise the "newly coordinated" MEP. The fiscal year 2005 budget request supports this effort.

Question. Mr. Secretary, there has been some discussion that MEP might be reduced to the network of regional centers. Are you aware that this past January another State decided that the New Hampshire MEP would close down due to lack of funding? Who made the decision? Can you inform the Committee what the process is for closing centers?

Answer. Three years ago, the New Hampshire (NH) Center was experiencing management problems so the NH Board removed the director, reconstituted the board, and brought in the Maine-based MEP Management Services Incorporated (MSI) as managing agent.

Since NH received about \$420,000 in Federal cost share annually and only received about \$150,000 from the state three years ago, the excess Maine cost share was used to cover the NH center.

The Maine MSI's excellent management team was able to bring the NH performance up and NH is now the highest performing MSI center.

However, the NH center had approximately \$300,000 in debt which the Maine MSI assumed as managing agent. The Maine MSI managed to reduce this debt down to \$180,000. But as fiduciary agents, the Maine MSI and the NH board are responsible for the remaining debt. In light of the reductions to MEP funding in the fiscal year 2004 Consolidated Appropriations Act, the Maine MSI decided that, even in a best case scenario, they would not have enough cash flow to manage the NH debt.

The Maine MSI will still provide a minimal level of service by keeping one NH staffer and assigning other staff from Massachusetts and Maine to serve NH companies.

INFRASTRUCTURE PROTECTION

Question. Mr. Secretary, you have the sole responsibility to issue Federal Information Processing Standards which are standards developed by NIST and used by federal agencies and the commercial sector to protect their computer systems. As the Nation's infrastructure is increasingly linked by the internet, its vulnerabilities are being subjected to daily attacks. Given this fact, is the Nation, and in particular the Department of Commerce, investing enough resources to protect our computer systems and networks? Does this portfolio of investment contain enough forward looking R&D to allow us to be proactive and not reactive to these threats?

Answer. Information security is one of the most critical issues facing industry and government. The Department of Commerce and especially NIST, takes very seriously our responsibilities to strengthen information security in the Federal government and the Nation as legislatively mandated in the Federal Information Security Management Act (FISMA) of 2002 and other legislation.

As a Nation, we have made progress in securing our legacy systems, but "bad guys" continue to find new ways around or through our defenses. While we focus on current implementations, new technology developments in IT systems and in other disciplines that increasingly rely on IT systems are coming on-line at an accelerating pace. Thus, in cyber security, we continue to be challenged.

That is why the President's fiscal year 2005 budget request includes a proposed increase of \$6 million for NIST to address key National needs in cyber security. With this proposed increase to NIST's base funding of approximately \$10.9 million, NIST will be able to more effectively work with industry and government agencies to accelerate solutions to critical cyber security issues, including the development of security and critical infrastructure application protocols; expanding the NIST Cryptographic Toolkit to include developing technologies, such as limited power, small-sized computing environments, fixing insecure wireless security standards; and producing metrics to build secure networks and systems from individually understood components.

PTFP GRANTS

Question. Mr. Secretary, can you tell us why the PTFP Construction account and the Information Infrastructure Grants are no longer needed and why the funding request is shifted to the Public Broadcasting budget? Since CPB funds cannot be used for repairs, where will rural stations turn for assistance?

Answer. The Information Infrastructure Grant program was created as an awareness program to promote the widespread use and availability of telecommunications and information technology in the non-profit and public sector. The Department believes that this mission has been fulfilled and recommends redirecting the funds to new priorities.

With the assistance of Federal funds appropriated to PTFP, the Corporation for Public Broadcasting (CPB), and the Rural Utilities Service (RUS), 90 percent of the Nation's public television stations will be broadcasting in digital by the end of the year. As we near the end of the digital transition, the Administration proposes to continue funding the digital conversion of public television during fiscal year 2005 through funds already appropriated to CPB.

PTFP also does not pay for equipment repairs or other operating costs. PTFP, however, does pay for the replacement and installation of replacement equipment in circumstances of urgent need. We understand that these expenses could be supported through the equipment programs now in place at CPB and RUS.

LONG-TERM PLAN FOR SPECTRUM MANAGEMENT

Question. Can you tell us what your overall long-term game plan is for spectrum management and how you will work with the FCC in this endeavor? What are your priorities and what are the most significant impacts on the commercial industry?

Answer. On May 29, 2003, the President established the "Spectrum Policy Initiative" to develop and implement a U.S. spectrum policy for the 21st century. The Secretary of Commerce was directed to chair the initiative. The initiative involves an interagency task force to develop recommendations for improving spectrum management policies and procedures for the Federal Government, as well as an examination of ways to improve spectrum management for state, local, and private sector spectrum use. A report containing recommendations will be provided to the President in early summer.

The National Telecommunications and Information Administration (NTIA) within the Department of Commerce is the President's principal advisor on telecommunications and carries out the function of providing spectrum to the Federal agencies. NTIA works directly with the FCC regarding spectrum allocation and spectrum policy development and implementation. In addition, the NTIA and FCC have agreed via a memorandum of understanding to meet twice a year at the Chairman and Assistant Secretary level and monthly at the Bureau level to discuss plans and spectrum management issues.

Our major priorities include: (a) foster economic growth; (b) ensure our National and homeland security; (c) maintain U.S. global leadership in communications technology development and services; and (d) satisfy other vital U.S. needs in areas such as public safety, scientific research, Federal transportation infrastructure, and law enforcement.

In the fiscal year 2005 budget, the President requested funding for NTIA for the development of incentives to increase efficient use of spectrum; the continuance of a prior year initiative to make the spectrum management process more efficient and effective through the application of information technology; the expansion of our International radio-communication outreach program; and development of the necessary analytical engineering tools and methods that will improve spectrum efficiency.

The Administration has strongly supported the creation of a "spectrum relocation fund," which would have a significant impact on the commercial industry by substantially speeding the opening of spectrum to commercial use. Passage by the House of H.R. 1320, the Commercial Spectrum Enhancement Act, without amendment, would significantly improve spectrum management for both Government spectrum users and for commercial wireless users. The relocation fund legislation strikes a proper balance in three key policy objectives. First, the Bill fully funds Government spectrum relocation, providing certainty essential to Federal users including the Department of Defense. Second, the legislation will result in timelines that are workable for Government incumbents and commercial wireless users. Third, the legislation provides certainty and accountability in developing and adhering to relocation cost estimates and relocation timetables.

Failure to enact this legislation this year could have an adverse impact on the timing of the Third Generation (3G) wireless auction and the deployment of new 3G wireless services. Industry and the Government are in strong agreement that the reimbursement fund mechanism would streamline the relocation of Government agencies. The President's budget for fiscal years 2003, 2004 and 2005 contained a legislative proposal to create a spectrum relocation fund for Federal agencies required to relocate their communications systems to allow the spectrum to be auctioned by the Federal Communications Commission (FCC) for private sector uses. H.R. 1320 passed the House 408-10 on June 11, 2003. At the time, the Administration issued a Statement of Administration Position strongly supporting the bill as passed by the House.

ITA REORGANIZATION AND COLLABORATION WITH USTR

Question. Mr. Secretary, at the hearing you gave us an overview of how the ITA reorganization is progressing. Will you now provide a more comprehensive status of this complex reorganization? Also, can you offer some insight on how the Commerce Department will leverage this new office in cooperation with the United States Trade Representative to protect U.S. interest?

Answer. The Reprogramming was sent to the House and Senate Appropriations Committees on May 7th. In addition, the Department Organization Orders necessary to formally make the changes need to be signed by the Secretary. Once the orders are signed, the staff will be formally moved and the management processes (accounting, personnel and other logistics) will be completed.

Our reorganization will provide increased attention to the problems, both domestic and international, facing the manufacturing sector through the creation of an Assistant Secretary for Manufacturing and Services. We will consolidate and strengthen our export promotion functions under the Assistant Secretary for Trade Promotion (and Director General of the U.S. and Foreign Commercial Service) and improve the operations of our Import Administration.

The Department of Commerce will continue to work closely with the U.S. Trade Representative in fulfilling the requirements of U.S. law, assisting exporters in overcoming foreign trade barriers and ensuring foreign countries comply with their commitments to the United States.

IRAQ RECONSTRUCTION

Question. Mr. Secretary, I would like to commend the dedication of the Senior Commercial Officers around the world. They are doing an outstanding job. With reference to the emerging need and increased workload in the Middle East, specifically related to Iraq reconstruction, can you tell us where Iraq is within the priorities of the Foreign Commercial Service? What is FCS's basis for the resource allocation for the various locations around the world? Do you have a plan to increase the FCS presence in the areas serving as gateways into Iraq? When the government is turned over to the Iraqi provisional government on July 1, what is the plan for the FCS presence?

Answer. ITA has conceived and developed several initiatives to facilitate and assist U.S. business interest in Iraq.

Our Middle East-based Iraq Reconstruction Regional Initiative is a joint effort by Commercial Services posts in Egypt, Jordan, Kuwait, Saudi Arabia, Turkey and the UAE to assist interested U.S. companies by highlighting and supporting a series of specific events and activities such as conferences, seminars and training programs, webcasts, virtual (video) trade missions and videoconferences.

As part of this initiative, we have undertaken an extensive series of activities, a schedule of which is attached. As a further complement to these activities, we plan to open a Middle East Business Information Center, which will showcase private sector development and serve as a one-stop shop for U.S. companies seeking opportunities in the region.

Similarly, the Central and Eastern Europe Regional Initiative seeks to provide our Central and Eastern European Coalition allies with the necessary information required for their companies to compete for Iraq Reconstruction contracts on a level playing field. This initiative is a one time commitment to provide a delegation of experts to disseminate information and answer questions from the local business communities in Poland, Hungary, Czech Republic, Romania, Albania, Bulgaria, Slovakia and Ukraine.

Commerce is also gearing up with a U.S.-based Iraq Reconstruction Project Team. This initiative builds on our successful "sector team" approach to assemble a small, highly focused group of sector specialists from around the country, each focused on a specific priority development sector in Iraq. Each sector specialist will be responsible for developing contacts with Iraq experts, handling questions from interested companies, and disseminating information on their particular sector.

Since the end of official hostilities, we have had commercial service officers in Iraq assisting the Coalition Provisional Authority with private sector development and Iraq reconstruction efforts. We now are in the process of establishing a Commercial Service (CS) operation in Baghdad in the new Embassy scheduled to open by July 1, 2004. CS Baghdad will be staffed by 2 commercial officers and 8 Foreign Service nationals. CS has begun hiring staff for the new Baghdad operation and has assigned a seasoned officer to arrive in Baghdad in advance of the July 1 opening.

The CS overseas resource allocation model takes into consideration Administration priorities, as well as market potential and cost/benefit analysis. Historically, the U.S. and Foreign Commercial Service has responded to national crisis with all available resources. We are using existing resources for this effort.

IRAQ RECONSTRUCTION REGIONAL INITIATIVE (IRRI) LIST OF TRADE PROMOTION EVENTS
(BY DATE)

January 2004

January 13–15—Iraqi Ministry of Trade training by the Government of Jordan on the Company Registration System. COMPLETED.

January 5—Live Web Broadcast through the World Trade Center (WTC) in Ankara, Turkey. COMPLETED.

January 6–8—Iraq Reconstruction Seminars in Ankara (Jan. 6), Izmir (Jan. 7) and Istanbul (Jan. 8). COMPLETED.

January 11–13—"Outreach 2004 Exhibition", Amman, Jordan on Iraq Reconstruction. Recruit an Iraqi delegation to attend the event. FCS Turkey to send Turkish delegation. COMPLETED.

January 19–23—"Rebuild Iraq", Exhibition in Kuwait City. Bring Iraqi delegation. CS Kuwait to host Iraqi Reconstruction Council Meeting. COMPLETED.

January 18–22—"Arab Health Exhibition", Dubai, U.A.E. Joint United States/United Kingdom initiative to bring an Iraqi delegation. CS Baghdad staff to provide CPA/CS Baghdad briefing. COMPLETED.

January—Proposed Ar'ar Border opening press event in Saudi Arabia. U.S. Embassy Saudi Arabia to highlight beneficial aspects of the opening for future Saudi-

Iraqi business relations. POSTPONED UNTIL CPA/GC HAND-OVER OF SOVEREIGNTY 6/30/2004.

February 2004

February—Preparation of Arabic language quick reference sheet on “Doing Business in Iraq”. COMPLETED.

February 17—CS Kuwait and CS Riyadh supported and accompanied delegation from the American Business Council of Kuwait to Basra and Um Qasr for business meetings and briefings by the Basra Chamber of Commerce and CPA South. COMPLETED.

February 17–20—Assistant Secretary Lash visits Baghdad to meet CPA officials, U.S. and Iraqi companies to discuss reconstruction and investment. COMPLETED.

March 2004

March—Iraq Central Organizations for Standards and Quality Control (COSQC) delegation to Saudi Arabia for training in establishing industry standards, organized by NIST. POSTPONED DUE TO NIST FUNDING ISSUE.

March 20—A/S Lash meets Iraqi and U.S. business groups in Abu Dhabi and Dubai regarding Iraqi Reconstruction and Investment. COMPLETED.

March 21–22—“Iraq-Arab Alliance Conference for Reconstruction, Trade and Investment in Iraq” to be held in Bahrain. Conference and exhibition focused on Iraq Reconstruction opportunities with participation from throughout the Gulf region. COMPLETED.

April 2004

April 5–8—Conference and exhibition organized by Iraqi American Chamber of Commerce and Industry entitled “DBX: Destination Baghdad Expo” at Baghdad International Fairgrounds. POSTPONED.

April 10—Iraq Conference by the Council of Saudi Chambers of Commerce & Industry in Riyadh. FCS to present business opportunities through Saudi-U.S. business relationships. USAID/CPA contractor and USG officials to participate as speakers.

April 4—Iraq Reconstruction seminar at the American Turkish Council’s Annual Conference, Washington, D.C. COMPLETED.

April 18–19—Oil and Gas Conference in Basra actively supported by CS Kuwait. POSTPONED.

April 20—Dubai—Conference on Subcontracting Opportunities in Iraq with high level DOC and PMO participation. COMPLETED.

April 25—Amman—Conference on Subcontracting Opportunities in Iraq with high level DOC and PMO participation. COMPLETED.

April 29—Istanbul—Conference on Subcontracting Opportunities in Iraq with high level DOC and PMO participation. COMPLETED.

June 2004

June 2–3—International Investment Conference in Basra, actively supported by CS Kuwait. POSTPONED.

June 6–7—Conference on Iraq’s Oil and Gas Industry in Abu Dhabi.

“Doing Business in Iraq” Outreach Seminars

Assistant Secretary Lash—February 24, Cleveland, OH; February 25, Kansas City, MO; March 23, Detroit, MI; March 24, Minneapolis, MN; March 25, New Orleans, LA; and May 6, Houston, TX.

Senior Advisor on Iraq, Sue Hamrock—March 9, Los Angeles, CA; March 10, San Diego, CA; March 18, Boston, MA; March 19, New York, NY; April 13, Chicago, IL; and April 14, San Francisco, CA.

2010 DECENNIAL CENSUS AND AMERICAN COMMUNITY SURVEY

Question. Mr. Secretary, this is an extraordinary request for funds with six years to go until the census. Could you give us a status overview of the preparation for the 2010 census and how the requested funds will be used?

Answer. Things are going very well, thanks to the support of the Administration and Congress in these efforts. With these early investments in the 2010 census, we are well on our way to achieving our goals to improve the relevance and timeliness of census long-form-type data, reducing operational risk, improving the accuracy of census coverage, and containing costs over the 2010 decennial cycle.

In the fourth quarter of fiscal year 2004, the American Community Survey (ACS) will expand to a sample of 250,000 addresses each month spread across every county in the United States and Puerto Rico. Fiscal year 2005 will be the first full year of data collection at this sample size. The successful implementation of the ACS

serves as the replacement of the long-form component of the decennial census, providing the United States not only more timely data, but also the added efficiencies of administering a short-form only decennial census.

The MAF (Master Address File)/TIGER (geographic reference file) Enhancements Project is on schedule to be completed for all counties in the United States, Puerto Rico, and island areas by fiscal year 2008.

Key mailout, field, and special purpose studies have been completed in developing a short-form census for 2010. Additional tests and development efforts are on track for conducting a dress rehearsal census in fiscal year 2008.

Specifically:

American Community Survey

Ongoing support for the ACS will allow the Census Bureau to publish detailed social and economic data every year for all places with a population of 65,000 or more beginning in fiscal year 2006.

The increased budget is for the annualization of the program that will have begun in the fourth quarter of fiscal year 2004. The largest cost drivers are questionnaire mailing and collection, following up on nonresponses, information technology and data processing/dissemination activities.

After three years of data collection and every year thereafter, accumulated data can be used to make such annual estimates for all places of size 20,000 or more.

After five years of data collection and every year thereafter, accumulated data can be used to make annual estimates for all places and tracts comparable in content and reliability to decennial long-form data.

MAF/TIGER Enhancements Project (MTEP)

By the end of fiscal year 2004, approximately 26 percent of the counties in the Master Address File (MAF) and geographic database (TIGER) will be brought into alignment with global positioning system (GPS) coordinates.

In fiscal year 2005, improvements will be completed for an additional 700 counties. By the end of fiscal year 2005, this work will have been completed for nearly half of all counties in the United States, Puerto Rico, and the island areas.

The MAF/TIGER enhancements project is on schedule to be completed for all counties in the United States, Puerto Rico, and the island areas by the end of fiscal year 2008.

Work will continue on converting our MAF/TIGER processing environment to one based on commercial, off-the-shelf software. This effort began in fiscal year 2003 and is planned to be completed in fiscal year 2006.

Short-Form Only 2010 Census

The development and testing of a dramatically revised process for conducting the short form Census is key to the strategy for cost containment for the 2010 census. We will complete 2004 Census Test evaluations by the third quarter of fiscal year 2005 and use the results to inform/revise planning, testing, and development for the rest of the decade.

We will begin conducting the National Content Survey and the 2005 National Census Test in the fourth quarter of fiscal year 2005 and complete evaluations in the third quarter of fiscal year 2006.

We will begin preparations, and conduct early operations, for the 2006 Census Test in fiscal year 2005.

We will begin planning for the 2006 Overseas Test in fiscal year 2004 and prepare for the test during fiscal year 2005.

We will continue other long-term planning, testing, and development for the 2008 Dress Rehearsal and 2010 Census.

Question. Mr. Secretary, in addition, as this is the first time you are implementing the American Community Survey, can you tell us how you expect the implementation to go?

Answer. After almost a decade of research and testing, the American Community Survey (ACS) will begin Nationwide data collection in the fourth quarter of fiscal year 2004, at a sample size of 3 million addresses per year. We feel confident this program will be successful given the experience of the staff overseeing the project in headquarters, the processing center, the three telephone centers, and the 12 regional offices. The testing on the ACS from 1996 to the present supports our confidence. The ACS has exceeded our quality goals each year. We anticipate continuing this success into full implementation.

There are three major challenges we anticipate and are monitoring closely:

—Full implementation of the ACS requires a significant increase in sample size (from 800,000 to 3 million annually) and requires a significant increase in the overall ACS staff. The one-time classroom training and on the job observation

will fully tax the regional office staff working on the ACS program during October through December. However, the experience of the regional office staff will ensure that the staff is well trained and ready to conduct the ACS successfully.

—The American Community Survey is expanding into Puerto Rico as part of full implementation. We have limited experience in collecting survey data in Puerto Rico. Our Boston Regional Office will manage the personal visit data collection in Puerto Rico. We are working together to hire and train an adequate staff in October 2004 to ensure the data collection is a success.

—Lastly, although the American Community Survey tested data collection of persons living in group quarters (prisons, college dormitories, nursing homes, etc.) in 1999 and 2001, the National level implementation of group quarters data collection is a major challenge. This operation will require separate training for the regional office field staff and close monitoring to ensure the quality of the data meet the ACS standards.

While the start-up challenges are significant, the U.S. Census Bureau places high priority on the American Community Survey and we are confident the program will continue to be successful.

FUNDING FOR CENSUS PROGRAMS

Question. Mr. Secretary, I am concerned about budget reductions in the areas of Economic Census, Census of Governments and the Intercensal Demographic Estimates. Can you explain how you plan to provide the same level of service the government has come to count on?

Answer. The fiscal year 2005 Congressional request for the Intercensal Demographic Estimates is an increase of \$1.2 million to improve the measurement of migration across U.S. borders. It is imperative to accurately assess the size, characteristics, and impact of International migration, as it is a critical factor in our population growth.

Reduced funding levels for other programs reflect the cyclical nature of these programs. For example, 2005 is the final year of the 2002 Economic Census Cycle and the first year of the 2007 Economic Census. If fully funded, the Census Bureau will carry out all activities scheduled for fiscal year 2005 as originally planned. As the census programs transition from one phase of the cycle to another, activities in fiscal year 2005 are different in nature from fiscal year 2004. Given the differences in the nature and scope of the planned activities for fiscal year 2005, the Census Bureau can, at the requested funding level, continue to provide the high level of service our customers and stakeholders have come to expect.

PTO FUNDING AND REDUCED PENDANCY

Question. Mr. Secretary, during the hearing we discussed the significant increases for PTO in your budget submission. In past years, the correlation between funding increases on the one hand and reduced patent pendancy and higher patent quality on the other has not been demonstrated. Will you provide a more detailed explanation on how such a large budget increase in fiscal year 2005 will help achieve these goals? Can the PTO actually execute such a large increase in one year?

Answer. Although the USPTO has received significant budget increases, over the past 10 years patent applications filed, patent examiners and enacted budget—in constant dollars—have increased at about the same rate (applications at 81 percent and budget and patent examiners at about 90 percent). The primary reason for pendency increases over this period is that the Office has been confronted by an overwhelming shift in technology from the traditional chemical and mechanical applications to the significantly more complex applications in the computer, biotechnology and telecommunications areas. Ten to 15 years ago only 11–12 percent of the USPTO's work was in the complex technologies; today almost 35 percent is. On the average, examiners have 18 hours to handle an application in the traditional chemical and mechanical areas as opposed to 31 hours in the high tech/emerging areas. This shift in technology and the corresponding increase in time needed translates to a need of over 600 examiners, before even addressing the high annual growth rates in applications received. A number of policy changes and International obligations have also shifted significant amounts of work to areas that do not reduce pendency. For example, from 1993 to 2003 filings pursuant to the Patent Cooperation Treaty increased by over 300 percent, from 13,310 to 44,282. Examiners must be given production credit for resolving these cases even though they grant no property rights. Since passage of the American Inventors Protection Act in 2000, examiners have been assigned classification duties related to pre-grant publication, a task that absorbed 36 examiner-FTEs in fiscal year 2003 but did not contribute to pendency reduction.

In the recent past, many have urged the USPTO to stop trying to “hire its way out of this problem.” While the agency continues to work on ways to improve efficiency, there is simply no substitution for the human mind for making determinations of patentability. As a result, the Strategic Plan anticipates continued examiner hiring as a critical element of achieving targeted pendency improvements. It also proposes a number of efficiency gains, including taking advantage of searches of identical or similar applications submitted to other competent patent offices and introducing market competition for some of the tasks facing the Office. The Strategic Plan initiatives to use non-examiner resources to perform search and classification functions will enable the agency to focus more examiner attention on making patentability decisions and will contribute to pendency improvements.

The USPTO’s fiscal year 2005 budget request includes an increase of \$311 million over the fiscal year 2004 enacted level. Of this \$311 million, \$38 million is for adjustments to base (pay raises and other inflationary costs), and another \$38 million would be transferred to the Office of Personnel Management for post-retirement benefits of USPTO employees. The remaining \$233 million increase would be dedicated to implementing Strategic Plan by fully funding delayed initiatives, and continuing to fund those that were implemented at a reduced level, as follows:

- \$19 million would enable the USPTO to continue its high priority focus on quality initiatives and fully fund training to address the new electronic workplace. With primarily base resources, the USPTO has made positive progress in implementing key programs to improve quality, such as certification of patent examiners before promotion to grade 13, continuing legal education for all patent professionals, and an expanded, in-depth review of the work product of one-third of all senior patent professionals.
- \$39 million would be used to continue e-Government initiatives, including availability of automated systems and recovery in the event of catastrophic disaster. This funding is critical because IT has brought to the examiner’s fingertips capabilities not realized 15 years ago, such as:
 - Increased reliance on non-patent literature for prior art searches: Automation funding has provided access for examiners to the hundreds of non-patent literature databases that are needed to perform a quality search.
 - Internet searching: In some technologies, Internet searching is a mandatory primary search requirement.
 - Complexity of applications: Patent applications now include subject matter that requires IT solutions simply to examine them; for example, the newer technologies such as biotechnology applications with complex sequences, and proteins claimed by three dimensional spatial coordinates. Some applications come in on CDs with the equivalent of millions of pages of data.
 - Also included in this amount, and consistent with the fee bill passed by the House, are funds to test the concept of competitive sourcing for prior-art searches by conducting a limited scope proof of concept during fiscal year 2005. The USPTO is analyzing the amendments in the fee bill to determine their implication on operations.
- \$61 million would address, among other things, patent application inventories and workload by hiring 900 new patent examiners. This represents 650 new positions, compared to new positions of 67 in fiscal year 2003 and a planned zero increase in fiscal year 2004. Funds also would be allocated to new Trademark examining attorney hires and changes needed to implement the Strategic Plan initiatives of multi-track and accelerated examination, and post-grant review in patents.
- \$106 million would be used to address workload increases by aligning funding needed for activities impacted by the growing examination workloads and the volume of application and search data. Included in this amount is \$65 million for patent workload increases in initial examination review, pre-grant publication, patent publication, commercial data bases and examiner search support, and information technology support throughout examination; \$35 million for IT upgrades, staff for responding to an increased number of customer assistance and issue resolution incidents, increase and enhancement of mass storage and infrastructure platforms; and \$6 million for administrative support, such as mail center and warehousing, and related workload and human resources processing costs

TAKING PTO OFF BUDGET

Question. Mr. Secretary, there is currently legislation moving through the House that would take PTO “off budget”. Can you tell me what your position is on this

legislation? Can you tell me some reasons why this might or might not be good for PTO?

Answer. The fee revisions and related provisions included in the USPTO fee bill (H.R. 1561) were originally introduced at the request of the Administration and did not include a proposal to take the USPTO off-budget. When the off-budget language was added by amendment in subcommittee markup, the Administration indicated in a letter signed by Theodore W. Kassinger, General Counsel, on June 12, 2003, to the full Judiciary Committee that it could not support the bill as amended because, in part, it would have removed the USPTO from the appropriations process. The Administration has not yet developed a formal position on H.R. 1561, the "United States Patent and Trademark Fee Modernization Act of 2004," as passed by the House (on a 379-28 vote on March 3, 2004) and reported favorably by the Senate Judiciary Committee on April 29, 2004.

BIS MISSION AND ACTIVITIES

Question. Mr. Secretary, it seems BIS has an expansive mission for a small agency. Can you explain how BIS plans to prioritize its many missions and how you plan to apply these few resources to accomplish that goal? Also, can you share with us how BIS works with other agencies outside of Commerce and any jurisdictional issues that affect your operations?

Answer. The mission of the Bureau of Industry and Security (BIS) is to advance U.S. National security, foreign policy, and economic interests. BIS's activities include regulating the export of sensitive goods and technologies in an effective and efficient manner; enforcing export control, antiboycott, and public safety laws; cooperating with and assisting other countries on export control and strategic trade issues; assisting U.S. industry to comply with International arms control agreements; and monitoring the viability of the U.S. defense industrial base.

To assist the Bureau in fulfilling these critical missions, BIS published its Guiding Principles in October 2002. These Principles represent the philosophy of BIS in approaching its activities and fulfilling its responsibilities. A copy of these Principles is attached.

BIS focuses its activities and resources on eight key areas:

- Export control policy and regulation.*—BIS ensures that controls on exports and reexports of U.S.-origin items meet U.S. National security objectives without unnecessarily burdening U.S. industry.
- Export licensing.*—BIS is continually streamlining and updating its processes to increase capacity and better serve exporters.
- Enforcement.*—BIS vigorously enforces U.S. export control, antiboycott, and public safety laws, while working to improve exporter and end-user compliance with export license conditions.
- Multilateral regimes.*—BIS plays a major role in the development, interpretation, and refining of control lists and operational guidelines for the four major nonproliferation regimes—the Nuclear Suppliers Group, the Australia Group, the Missile Technology Control Regime, and the Wassenaar Arrangement.
- International Cooperation.*—In coordination with other federal agencies, BIS participates in a number of International cooperation and enforcement programs to enhance compliance with and enforcement of U.S. export controls worldwide. BIS also assists in the development of effective indigenous infrastructures for export controls in other countries.
- Treaty Compliance.*—BIS assists U.S. industry in compliance with the Chemical Weapons Convention and will assist industry in compliance with the Additional Protocol to the United States-IAEA nuclear safeguards agreement.
- U.S. defense industrial base.*—BIS monitors and supports the U.S. defense industrial and technological base through advocacy for U.S. firms competing for foreign defense contracts. BIS also exercises its authority under the Defense Priorities and Allocations System to require preferential acceptance and performance of certain contracts supporting the U.S. military.
- Outreach.*—BIS keeps United States and foreign firms informed of U.S. export control regulations through an aggressive program of seminars, meetings, and other outreach activities.

To accomplish its mission, BIS works cooperatively with other parts of the U.S. Government including the National Security Council, the Department of State, the Department of Defense, the Department of Energy, the Department of Homeland Security, and the Intelligence Community. In many cases, BIS circulates license applications to other agencies for review prior to a decision. In addition, BIS manages an extensive license application escalation process that enables senior U.S. Govern-

ment officials to consider particularly sensitive applications before a final decision is made.

Most items on the Commerce Control List (CCL) are derived from the control lists of the multilateral regimes. BIS works closely with other U.S. Government agencies to strengthen these regimes and improve treaty compliance. BIS also works with the Departments of State, Defense, and other agencies to ensure that the CCL adequately captures all dual-use items that potentially could be used to harm the National security of the United States, and to clarify the allocation of commodity jurisdiction between the Department of Commerce and the Department of State, which has responsibility for licensing defense articles.

In addition, BIS participates in a number of International cooperation and enforcement programs in coordination with other federal agencies. BIS leverages its capabilities by forming strong working relationships with other law enforcement agencies, including the Federal Bureau of Investigation (FBI), the Bureau of Immigration and Customs Enforcement (ICE), and the military law enforcement groups. BIS also has productive and cooperative relationships with the Central Intelligence Agency and the National Security Agency.

These cooperative efforts with U.S. industry and other agencies in the U.S. Government have enabled BIS to achieve significant success in accomplishing our important mission. Our efforts are guided by the principle that protecting security and promoting trade are mutually reinforcing objectives. Indeed, legitimate trade is based on the foundation of sound security. We look forward to building on this success as we address new challenges in the years ahead.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

ASSISTANCE TO ALASKA FISHERMEN

Question. Does the department intend to provide full funding of the \$15 million in economic development assistance each of the five years to these fishermen?

Answer. The Department of Commerce is very concerned about Alaska's fishing-dependent communities and is committed to ensuring that these communities are economically prosperous and remain viable communities with a strong economy.

CRAB RATIONALIZATION PROGRAM AND OCEAN POLICY

Question. Do you perceive any problems with meeting the implementation date of January 1, 2005 for Bering Sea crab rationalization?

Answer. Congressional language in the fiscal year 2004 Omnibus Act (Public Law 108-199) requires Secretary of Commerce approval of a crab rationalization program by January 1, 2005. NOAA is committed to meeting this deadline, and it is one of NOAA's top priorities. NOAA Fisheries is working with the North Pacific Fishery Management Council, the State of Alaska, and interested constituency groups to design an expedited process that would lead to Secretarial approval by the prescribed date.

Question. Is the Department of Commerce prepared to receive and consider the findings of the Commission on Ocean Policy?

Answer. The Administration is prepared to receive the report and looks forward to considering the Commission's findings. The report of the U.S. Commission on Ocean Policy (USCOP) certainly has significant ramifications for the Department of Commerce, especially for the National Oceanic and Atmospheric Administration (NOAA). The Commission released its draft report on April 20, 2004. Following a 44-day public and gubernatorial review, the Commission will amend the draft report as necessary and release its final report, probably sometime in the early-to-mid summer. The President then has 90 days to review the report and provide a report to Congress. The interagency effort being led by the Council on Environmental Quality (CEQ) in the Executive Office of the President is now reviewing the draft report and developing timely and appropriate responses to the recommendations. The Department will consider the findings of the Commission as part of the interagency effort being led by the Council on Environmental Quality (CEQ) in the Executive Office of the President. This interagency approach will ensure an integrated response consistent with the Oceans Act of 2000, which requires the President to provide a unified response to Congress. NOAA has been assisting CEQ in preparing for this review.

NOAA FUNDING

Question. Mr. Secretary, do you believe the significant reductions in NOAA's budget and specifically in fisheries and ocean research will allow for the necessary management of our Nation's marine resources?

Answer. The NOAA budget requests a total of \$3,380.8 million in discretionary budget authority, a net decrease of \$309.5 million, or 8.4 percent below the fiscal year 2004 enacted level. While this is a reduction from the fiscal year 2004 enacted level, the fiscal year 2005 NOAA budget ensures that we continue to sustain healthy marine habitats, ocean research, robust ecosystems, and coastal environments, and address safety and environmental compliance issues impacting NOAA.

The reductions requested within the fiscal year 2005 budget request are included in order to support high priority increases for the NOAA Fisheries Program within a constrained budget environment. For example, the fiscal year 2005 budget request includes an increase of \$6.0 million for a total of \$20.9 million for fisheries stock assessments and surveys, \$1.0 million for protected resources stock assessments, an increase of \$1.2 million for a total of \$5.2 million for socio-economic data collection and analysis, an increase of \$0.5 million for a total of \$2.0 million for research to understand and predict the effects of climate change on major marine and coastal ecosystems in the Bering Sea and Gulf of Alaska, \$1.0 million to scientifically determine the population status of humpback and bowhead whales, and \$1.0 million for fisheries oceanography which will analyze data to determine basin-wide changes in atmospheric and oceanic circulation and their effect on marine populations.

The NOAA budget request provides funds to enhance our scientific understanding of the oceans and atmosphere. NOAA conducts research and gathers data about the global oceans, atmosphere, space and solar activities, and applies this knowledge to science and services. Specifically, the National Ocean Service (NOS) fiscal year 2005 budget request will promote a wide range of research activities to create the strong science foundation required to sustain use of our coastal systems. Overall, the fiscal year 2005 request for NOS is \$394.3 million. Specifically, the NOS fiscal year 2005 budget requests an increase of \$6.5 million (above the current program level) for a total of \$47.9 million to continue conducting Harmful Algal Bloom and Pfiesteria research as mandated by the Harmful Algal Bloom and Hypoxia Research and Control Act (HABHRCA). In addition, the fiscal year 2005 NOS budget includes increases for navigation services, White Water to Blue Water.

 QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

ITA REORGANIZATION

Question. Mr. Secretary, Congress approved the restructuring of the International Trade Administration (ITA) as part of the fiscal year 2004 Consolidated Appropriations Act. I understand that this reorganization is now underway and that the Department will establish an Assistant Secretary for Manufacturing and Services. I am pleased that the Department of Commerce is renewing its focus on domestic manufacturing. An essential part of manufacturing is our ability to produce and obtain basic raw materials, such as refined metals, and semi-fabricated raw materials, such as copper and steel mill products and castings, at reasonable prices and in adequate quantities. I am concerned that under the reorganization the Metals Division is being eliminated. How does the Department plan to cover this important industrial sector?

Answer. We fully recognize the importance of the metal sector to our manufacturing base. While we are planning to streamline management layers, we plan to provide full coverage of the metals sector as we have prior to the reorganization.

Question. How does the Department plan to address the raw material sector issues?

Answer. We will address these important issues as they arise and in the same manner as we have done in the past. Since the reorganization provides us a mandate to address many domestic issues of importance to manufacturing, we believe our support of the raw materials sector will be enhanced.

Question. Will adequate staff and funding be allocated to this activity?

Answer. We believe that we will be able to cover this sector on a basis comparable to our current level of support.

PARTICIPATION IN COMMODITY PRICES

Question. Mr. Secretary, most raw materials are priced on International commodity exchanges and all are subject to International supply and demand factors.

Our domestic metal industry is global in the classic sense. Organizations such as the International Copper Study Group have made significant progress in improving market transparency and statistics. A stated objective of the reorganization is to focus on domestic competitive issues. Will the Department of Commerce continue to participate in International commodity or raw material organizations?

Answer. Yes. We intend to continue our active participation in the International Copper Study Group, as well as the UNCTAD negotiations on commodities, APEC Nonferrous Dialogue, OECD Steel Committee and other forums as appropriate.

Question. Will the Department continue to address International issues directly affecting the materials industry?

Answer. Yes. We will continue to cover these issues as in the past.

Question. Under the ITA reorganization, what unit will cover these issues?

Answer. The reorganization will not change unit responsibilities. ITA's Import Administration will continue to cover dumping and countervailing duty issues, our Market Access and Compliance Unit will cover trade negotiations and our new Manufacturing and Services Unit will cover various International and domestic trade and competitive issues.

Question. Is this unit adequately funded and staffed? What would those staffing and funding levels be for fiscal year 2004 and fiscal year 2005?

Answer. We are currently in the process of allocating resources. Staffing and funding levels will not be reduced as a result of the reorganization.

Question. Finally, Mr. Secretary, the raw material industry must address sustainable development and environmental issues on a domestic and International scale in order to be competitive in world markets. The Department of Commerce has hosted conferences to assist industry in meeting these challenges. Would the Department continue such efforts after the reorganization?

Answer. The Department of Commerce will remain actively involved in sustainable development and environmental issues, domestically as well as internationally. These issues are relevant to the competitiveness of practically all sectors in the U.S. industry.

Question. What unit within the Department would be involved in these activities?

Answer. The Department's activities in these area will involve the resources of several offices in the International Trade Administration's (ITA) manufacturing and services units. These would include, for example, ITA's offices dealing with energy, chemicals, metals and materials, and environmental technologies industries. In addition, the Department's National Oceanic and Atmospheric Administration (NOAA) will continue its active involvement in environmental issues and work closely with ITA.

QUESTIONS SUBMITTED BY SENATOR BEN NIGHTHORSE CAMPBELL

NOAA/NIST BOULDER CAMPUS

Question. I understand that NOAA has proposed to construct a fence around the NOAA/NIST facilities on South Broadway in Boulder. I have heard from a number of residents in Boulder that are opposed to the fence because it would (a) be an eyesore; (b) bicycle and foot traffic which currently crosses the campus would be restricted; and (c) the area surrounding the facilities is home to a wide variety of wildlife. The impacts of a fence on the wildlife habitat has not been addressed.

What exactly is the nature of the security risk at this campus, what security measures are currently in place, and what additional security gain can be achieved with this fence given the assessed threats? Has DOC thoroughly examined other security measures short of a fence? Has DOC consulted with the City of Boulder and local law enforcement authorities on other alternatives?

Is the entire site considered a high level security risk (Level 4) requiring all buildings and facilities to be enclosed by a fence? If not, why is the fence being proposed around buildings and facilities that do not possess this level of risk?

Has DOC already decided that this fence is necessary? If so, who made this decision and what was the process by which it was made? Was a cost-benefit analysis conducted? How much will the fence cost, what funds are identified to pay for it, and what is the construction/installation timeline?

Are other federal facilities across the country required to install fences? If not, why not? What is DOC's legal position regarding the City of Boulder's easement across the site? Can this easement be superceded by the fence? How will the fence provide the security envisioned if the City of Boulder refuses to allow the fence on its easement?

Answer. A task team, headed by the Department of Commerce's Office of Security, met in August 2003 to assess the security risk at the Boulder Labs facility. That task team concluded that:

- The security risk will be mitigated with effective perimeter security.
- The most effective and cost-efficient perimeter security countermeasure based on industry averages is the installation of a fence around the main facilities.
- A Boulder site task force should lead the design and coordination of the perimeter security solution.

A Boulder site task force was established under the leadership of the National Institute for Standards and Technology (NIST) Boulder Lab Director, Zelda Bailey. That task force continues to develop possible designs and options for the perimeter security solution. No final decision regarding the design of the perimeter security solution has been made. A creative design should effectively address the elements of the security risk—criticality, vulnerability and threat—while also preserving valuable attributes such as easements, protected areas, bike paths and open areas. The final design will likely combine several security options to provide a measured response to the security risk.

In a meeting on February 26, 2004, between officials of the City of Boulder and the Department of Commerce, it was agreed that a representative from the City would be added to the task force, to ensure that local interests are considered. We are confident that we will be able to develop a final solution that will address the interests of both the City of Boulder and the Department of Commerce in providing a safe and secure working environment for our employees.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

PUBLIC TELECOMMUNICATIONS FACILITIES PROGRAM

Question. Secretary Evans, the Public Telecommunications Facilities Program, which is a longstanding part of the public television funding picture, plays a critical role in public television's federally mandated digital conversion. PTFP is a relatively small investment that is paying tremendous dividends by unleashing millions of dollars in new services and products. Despite this, the President's fiscal year 2005 budget proposal terminates this critical program. What was the Department's request to OMB with regard to this program?

Answer. The Department's request to OMB eliminated funding for PTFP and proposed to continue funding of the digital conversion of public television through funding already available from the Corporation for Public Broadcasting.

Question. Secretary Evans, there is no doubt that we are in fiscal crisis at the moment—we face a deficit and we are at war. However, a strong Nation depends on strong infrastructure. PTFP is critical to the well being of our public broadcasting infrastructure—the only broadcast medium that reaches virtually every household in the United States.

We discussed at length during the hearing the loss of jobs and the exporting of critical manufacturing jobs in particular to other Nations. You stated that those workers can be trained in new areas and for new industries. One proven entity in the area of education, including adult education, is public television.

Why is the Administration cutting a program like PTFP that is so vital to the daily work of public television, especially at a time when public television's role in adult education and workforce skills has never been more vital?

Answer. The Administration appreciates public television's contribution to education, especially adult education. The Administration believes, however, that during this period of steady economic growth, public broadcasting's equipment needs can be met more efficiently through the funding already available through the Corporation for Public Broadcasting.

QUESTIONS SUBMITTED BY SENATOR DANIEL K. INOUE

CLIMATE CHANGE PROGRAMS

Question. The President launched his U.S. Climate Change Research Initiative in June of 2001 to improve the integration of science with policy and management decisions. The President's budget claims that \$23.7 million in new funds will be devoted to climate research in order to expand climate observing capabilities. However, the budget also calls for more than \$11 million in cuts to the existing climate and global change programs that currently provide these very climate observing capabilities.

I would appreciate receiving a breakdown of the reductions and increases of all climate specific programs within the National Oceanic and Atmospheric Administration (NOAA). Does the budget request actually call for \$23.7 million in new funding, or will this "increased funding" come at the expense of programs?

Answer. The \$23.7 million increase for climate research relative to the fiscal year 2005 base funding in the Climate Change Research Initiative activities has been reallocated from lower priority activities. It is being partially offset by reductions that were taken from to Climate and Global Change, NOAA's National Environmental, Data, and Information Service (NESDIS) Environmental Data Systems Modernization program, and other internal programs, which includes \$1 million from the baseline observatories as well as reductions from the weather-climate connection.

Funding has been directed towards activities that will contribute to reducing scientific uncertainty in three key areas identified in the Climate Change Science Strategic Plan: (1) aerosols-climate interaction; (2) ocean climate observations; and (3) carbon sources and sinks.

OAR CLIMATE PROGRAM BUDGET SUMMARY

(In millions of dollars)

Budget Summary	Total
Laboratories & Joint Institutes	+ 623
Climate & Global Change	- 9,152
Climate Obs. & Services:	
Other Programs	- 1,870
CCRI	+ 23,735
NESDIS-EDSM	- 2,191
Total	11,145

Question. I would also appreciate receiving a geographically specific breakdown of the research and observation projects in the President's fiscal year 2005 climate budget for the Pacific Ocean.

Answer. Tropical Atmosphere Ocean (TAO) array: \$2.6 million funded through NOAA Research. The array provides real-time data from moored ocean buoys for improved detection, understanding and prediction of El Niño and La Niña. The Japan Marine Science and Technology Center, in Yotsutia, Japan, operates the western TRITON portion of the array. NOAA Research's Pacific Marine Environmental Laboratory in Seattle operates the eastern TAO portion of the array.

Pacific Regional Integrated Sciences and Assessment (RISA) Program: about \$0.15 million funded through the NOAA Research Climate & Global Change and Climate Observations & Services budget lines. The program assists fisheries, agriculture, and tourism in enhancing resilience in the face of climate-related extreme events, such as droughts, floods, and hurricanes. The Pacific RISA is operated out of the East-West Center in Honolulu, HI.

Mauna Loa and Samoa Baseline Observatories: \$2.0 million funded through the NOAA Research Climate Observations & Services budget line. The baseline observatories provide valuable time series data on various atmospheric and solar radiation measurements that are critical to NOAA's monitoring of climate. The observatories, though located in the South Pacific, are operated by NOAA Research's Climate Monitoring and Diagnostics Laboratory in Boulder.

North Pacific Climate Regimes and Ecosystem Productivity: \$2.0 million funded through the National Marine Fisheries Service. A growing component of NOAA's climate program, this Climate and Ecosystems project seeks to link NOAA climate information with NOAA models, observations and new ecosystem indicators, resulting in better resource management by NOAA. These efforts will include projections of the status of living marine resources under future climate scenarios. This project is operated out of the NOAA/NMFS Alaska Fisheries Science Center in Seattle.

University of Hawaii Sea Level Center (UHSLC): about \$0.5 million funded through the NOAA Research Climate Observations & Services budget line. The Center is operated out of the University of Hawaii/NOAA Joint Institute for Marine and Atmospheric Research (JIMAR) within the School of Ocean and Earth Science and Technology (SOEST). The UHSLC operates 37 tide gauge stations in the global sea level network and collaborates with host countries in the operation of 7 more stations. The measurements are used for the evaluation of numerical models (e.g., those in operation at the National Centers for Environmental Prediction (NCEP), joint analyses with satellite altimeter datasets, the calibration of altimeter data, the

production of oceanographic products through the World Meteorological Organization Sea Level Program in the Pacific (SLP-Pac) program, and research on inter-annual to decadal climate fluctuations.

Question. Is the Commerce Department researching the economic impacts of climate change on Pacific island and Pacific Rim Nations? Do you believe that the research effort commensurate with the economic stakes of climate change in the Pacific region?

Answer. The Department of Commerce is working to better understand the economic impacts of climate change and helping to manage climate risks for the Pacific Islands. The following are some examples of the Department's efforts. In a recent press release, VADM Conrad C. Lautenbacher, Under Secretary for Oceans and Atmosphere and NOAA Administrator recognized the dependence of Pacific island economies on accurate climate information. He stated that, "Understanding and effectively responding to changes in climate are critical elements of planning and economic development in Hawaii and other Pacific Islands. Their economies are dependent on climate-sensitive sectors like agriculture, tourism and fisheries, and the region is home to some of the world's most valuable marine resources such as coral reefs."

The press release highlights a new program that begins development of climate services for the Pacific Islands. NOAA's Office of Global Programs recently awarded a three-year grant of \$535,487 to the East-West Center in Honolulu, Hawaii, an educational and research organization, for a project entitled "Managing Climate Risks in the Pacific: A Pacific Islands Regional Integrated Sciences and Assessment (Pacific RISA) Program."

The Pacific RISA program assists key economic sectors (e.g. fisheries, agriculture, and tourism) in enhancing their resilience in the face of climate-related extreme events such as droughts, floods, and hurricanes. The project represents a significant step towards the creation of a new program of climate information services designed to meet the needs of decision makers and policy officials in the American Flag Pacific Islands (Hawaii, American Samoa, Guam, Commonwealth of the Northern Mariana Islands) and the United States-Affiliated Pacific Islands of the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.

NOAA's Coastal Services Center is complementing the work of the Pacific RISA with a climate assessment outreach and education program.

NOAA has also supported studies of the socio-economic impacts of El Niño events in the Pacific through the work of the Pacific ENSO Applications Center and related socio-economic research funded through NOAA's Office of Global Programs.

Through these types of research efforts, NOAA's expansion and development of climate services in the Pacific Islands is working to address the rising economic stakes of climate change in the Pacific region.

INTERNATIONAL TRAVEL TO THE UNITED STATES

Question. International travel to the United States is a vital component of our Nation's economy. International visitors account for one million jobs and \$83 billion in spending annually. Visitation levels have declined by some twenty percent during the past two years. U.S. market share of global travel had already been declining since 1998 and was only exacerbated by the September 11, 2001, terrorist attacks. Since September 11, many necessary changes have been made to make U.S. ports of entry safe and secure, but little or no measures have been taken to reach out to legitimate International travelers.

Although the World Travel and Tourism Council recently predicted that tourism to the United States will rise in 2004, the Council warned that relying on excellent products and service alone will not be sufficient to guarantee the future growth of tourism to the United States. To remain competitive, the Council recommended that we be proactive and work with government authorities to ensure that our tourism industry is protected and nurtured.

What steps are being taken by your department to reach out to International travelers and work with government authorities to encourage travel to the United States? What do you believe the federal role should be in promoting travel to the United States?

Answer. The Department is launching a \$6 million promotional campaign in the United Kingdom, our largest overseas market to increase market share. We are working with the Department of Homeland Security and the Department of State to encourage the development of visa policies and travel security systems that facilitate travel while providing for the safety of the traveler and security for our Nation. I believe that the role of the federal government is three fold: (1) to assist in ensur-

ing competitiveness in this sector; (2) to measure the industry through collection and dissemination of statistical data on the volume, flow and characteristics of travelers, through assessments on the economic benefits and impact of travel and tourism industries on the U.S. economy, and through production of the balance of trade in travel and tourism; and (3) to advocate for the United States' tourism interests in International service sector trade agreements and represent the U.S. tourism policy positions in International tourism development and intergovernmental fora.

Question. The Visa Waiver Program allows International travelers to visit the United States for up to 90 days without going through the time consuming and often costly process of obtaining a nonimmigrant visitor visa. There are currently 27 countries in the program. Current rules require that by October, 2004, International visitors entering the United States on the Visa Waiver Program possess a machine-readable passport. In addition, all Visa Waiver countries must certify that the new passports they are issuing contain biometric identifiers, to help ensure that the person seeking entry into the United States is the same person documented in the passport.

There is great concern in the visitor industry that only a few of the 27 Visa Waiver countries will be able to meet the October, 2004, deadline, and that this will result in major disruptions in inbound travel to the United States from key markets in Europe and Asia.

Do you have any suggestions on how we can encourage foreign countries to expend the resources necessary to produce passports in compliance with U.S. requirements for the Visa Waiver Program?

Answer. The issue, I believe, is not a lack of willingness by Visa Waiver Program countries to comply by the October, 2004 deadline, but their ability to do so. Legislated requirements specify that the biometric passport identifiers must meet International Civil Aviation Association standards. These standards were not established until May of 2003. Therefore, technologies are not yet fully developed. The United States will also not issue passports that meet these standards by the current deadline.

Sixty-five percent of our overseas visitors come from Visa Waiver Program (VWP) countries. All but two VWP countries have indicated to the Department of State that they will not be able to meet the deadline. If nothing is done to alter the situation, the Department of State estimates that there will be approximately five million additional visa applicants, of which they have the capacity to process only six percent, which may create substantial disruptions in travel to the United States. Economic losses across sectors could be substantial, and our relationships with our allies could be damaged.

A legislative remedy is the only option to postpone this deadline. Should a legislative postponement be approved, the Department of Homeland Security and the Department of State could provide for safety and security in keeping with the intent of the legislation through existing biometric systems to ensure that travel documents and visitors match. During this period, the United States could work with other Nations to establish agreement on interoperable systems to produce and read passports with biometric identifiers.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

MANUFACTURING EXTENSION PARTNERSHIP

Question. With last week's announcement that MEP will be eligible to apply for EDA funds, I am greatly concerned that we are nearly half way through the fiscal year and it is still unclear how the program will be funded and re-competed. Will there be funds set aside for MEP Centers to compete for? Will each MEP Center be responsible for applying for these funds? How will this help "leverage" the limited funds available to MEP in fiscal year 2004?

Answer. EDA is ready, willing and able to assist eligible MEP Centers with resources as NIST develops its plans for the MEP going forward. Secretary Evans has directed EDA to focus its remaining fiscal year 2004 Economic Adjustment program funds on manufacturing-related communities and initiatives. EDA will welcome MEP Centers to apply for EDA funds. These EDA funds will augment funds provided to the MEP from NIST and will be focused on highest performing Centers. These funds will be administered in accordance with EDA's competitive grant program guidelines. In addition, EDA staff is prepared to work with MEPs in developing EDA applications in order to make the process as streamlined as possible.

Question. Given the immediate need for MEP services, what other mechanisms would the Administration consider to increase MEP funding in fiscal year 2004 and

2005, so small manufacturers can continue to receive the assistance they so desperately need?

Answer. We are doing all we can to make sure that the MEP centers are fully aware of any funding opportunities that may exist across the Federal government. We have identified some possible sources already and are in discussions with others to determine if there are additional opportunities for MEP centers to compete for available funding from other Federal programs that support U.S. manufacturing. Also, MEP has considered foundation-type funding which is typically raised as principal to be kept intact, while the earnings from the principal are used to capitalize activities. For MEP to develop a steady stream of funding of any significance to substitute for some of the Federal funding, the foundation would need to be capitalized at \$400 to \$500 million. Otherwise, the capital would be rapidly depleted and the foundation would need to be in a continuous fundraising mode. However, the actual level of funding that could be generated would depend in large part on the support of Administration officials, Congress, and industry leaders. This is particularly true given these tight economic times during which it will be even more difficult to garner significant contributions.

Question. Why “improve” MEP and cut its budget when we clearly see its effectiveness in building stronger companies that retain high-skill, high-pay American workers and repay our relatively small federal investment with a healthier tax base?

Answer. Budget constraints have forced the Administration to make some tough budget decisions this year. The fiscal year 2005 budget request reflects the Administration’s policy and funding priorities to address the Nation’s most pressing needs. Support for MEP is maintained at the fiscal year 2004 enacted level.

Question. The manufacturing strategy, budget documents, and comments by Commerce officials suggest ITA and other federal agencies can take over functions of MEP. Do you really think that Trade experts can discuss, sell, and deliver the technical engineering services that MEP provides to manufacturers?

Answer. It makes sense for all bureaus in the Department engaged in improving our Nation’s manufacturing to work together. The MEP and ITA programs are complementary, and MEP and ITA staff are working together to increase coordination. This coordination will link the technical and business staff employed by the MEP centers located around the country with ITA trade promotion specialists who are working with ITA on behalf of the future Assistant Secretary for Manufacturing and Services.

ITA has experts with in-depth knowledge of and connections with various sectors of industry including the automotive, textiles and apparel, energy, aerospace, machinery, metals, and microelectronics, industries.

The direct teaming of MEP field agents with the ITA sector experts will make the program a more effective National resource to help small manufacturers compete and succeed in the global marketplace.

MEP and EDA are also exploring mutual opportunities to coordinate their support of small manufacturers through the local economic development infrastructure.

Question. In the manufacturing strategy, you suggest that savings can be found by enhanced partnering. Yet OMB’s PART analysis gives MEP high marks for collaboration. Tell me how you plan to get significant savings from synergies they have already accomplished.

Answer. The principal purpose of effective partnering is to better serve America’s manufacturers and provide them with the wide range of assistance that the Federal government can provide through its many assistance and support activities. Although the MEP is performing well it still had room for improvements. Efforts are being made to expand on existing partnerships and enhance the benefit to MEP participants.

Question. How will you ensure that small manufacturers will continue to receive the services they need when your “improvements” will actually cut the availability of MEP services?

Answer. The MEP program will continue to serve as many manufacturers as possible and will continue to explore every avenue possible to find new and innovative ways to maximize whatever level of Federal investment is made in this program. Improving the effectiveness and efficiency of the MEP National manufacturing network is the primary goal. In addition to the MEP program, NIST laboratories also support manufacturers both large and small by providing the measurements and standards needed to improve quality, productivity, and reduce manufacturing costs. The NIST Advanced Technology Program (ATP) has provided cost-sharing support of improved manufacturing in many U.S. industries. NIST laboratories provide calibration standards that ensure quality of manufactured products and improve efficiencies. The NIST fiscal year 2005 budget proposal includes a request for budget

increases to support advances in manufacturing. The work proposed in the fiscal year 2005 budget initiative will help overcome technical barriers facing U.S. industry that will enable it to thrive in nano-manufacturing, particularly in the key areas of electronics and semiconductor manufacturing, and advanced medical technologies. It will also promote access to global markets by ensuring that the measurements and standards that U.S. manufacturers rely upon are internationally accepted.

Question. Has the Department of Commerce done any studies to determine what impact re-competing the entire MEP network would have on its ability to serve small manufacturers?

Answer. The series of manufacturing round tables conducted over the past year, while not specifically focusing on the MEP, gave the Administration a real sense of what manufacturers want and need. There has not been a formal study of the possible impact of a re-competition, but such a competition is expected to result in excellent service to small manufacturers in the region served by the selected centers.

Question. One of the strengths of MEP is its partnership with state governments and local service providers. Have the state agencies and other partners been informed of your re-competition plans and will they continue to provide roughly a third of the funding support to the MEP system?

Answer. Additionally, the MEP Director has had preliminary discussions with the Centers about the impacts of the funding level. Those Centers with agreements that are expiring have been informed that their renewals will be on a month-to-month basis. Until the individual Centers give us specific information, it is hard to determine which states will continue to provide a third of the funding support to the MEP system.

Question. Do you really want to hamstring this program by pushing each and every Center to spend its time developing a proposal during a time of urgent need for this type of hands-on assistance for our small manufacturers?

Answer. For fiscal year 2004, MEP is exploring the options for providing some funding to all Centers in the network through the end of the fiscal year.

Question. Many groups, such as Harvard's Kennedy School, the National Academy of Public Administration, NAM and National business publications commend the program for its effectiveness and efficiency. Doesn't it make better sense to re-compete only those Centers that do not meet minimum performance standards? Why should we consider re-competition for a system that is not broken?

Answer. The vast majority of MEP centers perform admirably, so only isolating those few relatively poorer performers recognizes no significant cost savings. Each of those few, poorer performers have been addressing their weaknesses.

NATIONAL SEA GRANT PROGRAM

Question. In the President's request for the National Sea Grant Program, how much of the funding would be allocated to new programs? If we set a goal of bringing all the programs up to \$1.2 million in base funding a year in \$250,000 increments over the next several fiscal years, how much additional funding would be needed in fiscal year 2005 and which Sea Grant programs would receive funds to increase their base level?

Answer. The fiscal year 2005 President's Budget request includes \$57.5 million for Sea Grant, this amount does not include any funding for new programs. The National Sea Grant program currently funds 30 established college and institutional programs and 4 developing institutional programs. Of these 34 programs, 19 currently have a base funding level of less than \$1,200,000. The Sea Grant Program authorization requires that amounts appropriated over the fiscal year 2003 level be allocated by merit and competition. To bring these 19 programs up to \$1.2 million in base funding in \$250,000 increments over the next five years would cost a total of \$7,723,000 and would require additional funding in the amount of \$3,759,000 in fiscal year 2005, the first year:

Year	Amount
1st Year	\$3,759,000
2nd Year	2,041,000
3rd Year	1,000,000
4th Year	723,000
5th Year	200,000

The 19 Sea Grant colleges, institutions, and developing institutions that currently have a base funding level of less than \$1,200,000 would receive the additional funds. These programs are: Connecticut, Delaware, Georgia, Illinois/Indiana, Maine, Michigan, Minnesota, Mississippi/Alabama, New Hampshire, New Jersey, Ohio, Puerto

Rico, South Carolina, California (University of S. California), Massachusetts (Woods Hole Oceanographic Institution), Vermont, Pennsylvania, Guam, and Western Pacific.

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

MEP FUNDING AND RECOMPETITION

Question. Mr. Secretary, in addition to the drastic cuts to the MEP program, it appears only \$29.6 million or 75 percent of the funding is going directly to grants to help small and medium sized manufacturers. The remaining \$10 million is going to administration. When the MEP centers were funded at \$106.5 million, \$90 million or 85 percent of the funding was directed to MEP programs.

It appears that there is a loss of efficiency coinciding with cuts: When the program was funded at \$106.5 million, administrative costs were \$16.5 million, as opposed to \$10 million in administrative costs for a \$39.6 million program. Can you provide me a breakdown on where the requested funding will be directed?

Answer. By the end of fiscal year 2004, MEP staff will be reduced by 24 positions, from 51 to 27 while maintaining its function of overseeing the National manufacturing network. In addition, NIST institutional support activities previously supported by MEP will also be reduced, including an institutional support staff reduction of an additional 24 positions by the end of fiscal year 2004 (from 38 to 14). These staff reductions are expected to be accomplished through a combination of resignations, Voluntary Early Retirement Authority (VERA), buyouts, and Reduction-In Force (RIF). Remaining MEP staff will focus on center operations and center support. Center operations will focus on stewardship issues, such as panel and annual reviews, cost share approvals, and other compliance-related issues. This unit will also conduct a more limited level of program data collection and program evaluation. Staff conducting center support will focus on essential system-level functions, National accounts, partnership development, and a minimal manufacturing research component. All product development, marketing support, and most IT support will be discontinued. Manufacturing research, center and client impact evaluation, corporate university training of the system, and National sales are all being significantly scaled back.

Question. In my state of Wisconsin, we lost 13,000 manufacturing jobs last year and, just last week, two more Milwaukee companies announced plans to send jobs overseas. We must fund initiatives that yield tangible results now, programs that help small- and medium-sized manufacturing firms, boosting productivity and increasing competitiveness as these firms face increasing pressure from global markets. We need to fund programs like MEP. Through MEP efforts, more than 35,000 manufacturing jobs were created or retained during the last fiscal year. MEP was recently selected by Harvard's Institute of Government Innovation as one of the Nation's "most creative, forward thinking, results-driven government program." MEP has also just been named one of the 100 best resources for small businesses under the category of Operations by the BIZBEST 100 publication.

MEP has worked, and worked well due to its decentralized but well coordinated networks. Offices are conveniently located such that business owners can take advantage of services without drastically increasing precious time away from their business. The local nature of the offices allows for flexibility and an ability to respond quickly to changing needs in different communities.

I understand the Commerce Department is about to launch a major recompetition of the entire MEP program at a time when this program is sorely needed. I am concerned that a national recompetitve could bring serious harm to this critical program. In the interest of saving time, energy, and scarce resources, is it necessary that the recompetitve occur across all 400 MEP offices? Why not just focus on those centers that have not lived up to expectations? Should a nationwide recompetitve go forward, is it expected that MEP will continue to have a physical presence in all 50 states?

Answer. Maintaining the National manufacturing network is a priority. Just as the 21st Century manufacturing needs are continuing to evolve, a recompetition of the network will allow MEP to effectively meet those new challenges with whatever funding levels Congress provides. Understanding the possible effect of a recompetition upon the Centers, for fiscal year 2004, MEP is exploring options for providing funding to all Centers in the network through the end of the fiscal year.

JOB LOSSES IN WISCONSIN

Question. Most of the job losses in my state have been experienced in small- and medium-sized enterprises. Nationally, small- and medium-sized manufacturers ac-

count for 68 percent of all manufacturing jobs. These firms are the best source for manufacturing job creation—and these are good jobs—and these firms are far less likely to outsource jobs. I have heard from many constituents who are concerned that the Administration is focusing its efforts on large firms, leaving small- and medium-sized firms behind.

There is a tension here between small and medium-sized manufacturers and large manufacturers. For example, there are well-respected critics of the “Manufacturing in America” report who say that this plan does not substantially make a difference for small and medium-sized firms. Do you agree that you have had to balance the interests of these two groups as you pursue initiatives to respond to the crisis facing our manufacturing sector?

Answer. From the very beginning of the Manufacturing Initiative through today, the Department of Commerce has kept the interests of small- and medium-sized manufacturers (SMMs) foremost in developing policy recommendations for the challenges confronting U.S. manufacturing.

As you may be aware, as an initial step, we organized roundtable outreach meetings to hear directly from U.S. manufacturers and manufacturing workers. The manufacturers attending these open meetings represented a broad mix of small- and medium-sized manufacturers, as well as minority-owned and women-owned enterprises. During these two-hour meetings, we had in-depth conversations with many such manufacturers and workers about their particular challenges and issues as distinct from larger manufacturers. In addition, as we developed the list of panelists for these roundtables, we took great care to balance the panel members by size of companies and manufacturing sectors. A majority of the panels were formed by SMMs.

The views of SMMs are strongly represented in the “Manufacturing in America” report we developed. Chapter Two of this report is representative of the detailed input we received from SMMs as well as larger companies. The discussion of issues is representative of the diversity in sectors, size of companies and regions.

The recommendations that we put forward in Chapter Three of our report continue this commitment. For example, we are creating an advocate for U.S. manufacturers in the Department of Commerce who can ensure that the voices of SMMs are reflected in USG policy-making. Moreover, we created a Manufacturing Council on April 4, 2004, which will be representative of small-, medium- and large-manufacturers. The Chairman and Vice Chairman have been selected, appointed, and announced. We anticipate completing selection and appointment of the members the week of May 24, 2004, or shortly thereafter. We expect to hold the inaugural meeting of the Council by the end of June. We hope this important body representing the interests of manufacturers institutionally in U.S. policy-making will enjoy longevity and maintain an established voice particularly for SMMs. Many other recommendations in the report are also of particular benefit to SMMs. For example, tax relief will be particularly helpful for our SMMs that operate as S-corporations and partnerships. Also, the establishment of Association Health Plans will afford small manufacturers greater leverage in negotiating the cost of health insurance with providers.

Two programs of particular benefit to SMMs are the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR). We call attention to these programs and recommend that SBIR and STTR place a higher priority on manufacturing R&D topics that would greatly leverage innovation in SMMs. We also focus on the MEP program and recommend ways in which that program can deliver greater benefits to SMMs by strengthening partnerships with other government programs.

An owner of a small manufacturing company told us at our Milwaukee, Wisconsin roundtable that he, like other SMMs, does not have the resources to hire the lawyers to bring forward a dumping/countervailing duty case. Pursuant to the manufacturing initiative, we have created at the Department of Commerce an Unfair Trade Practices Task Force within the Import Administration. This team will take on the burden of proactively seeking out and addressing unfair trade practices. To help SMMs identify potential customers, we are also developing a Global Supply Chain Initiative. Through this initiative, we will help SMMs expand their reach and identify new customers they may not otherwise be aware of.

As you can see, we focused significantly on the needs of small- and medium-sized manufacturers and will continue to bring resources to bear on their needs and challenges. I look forward to continuing this dialogue with you on such an important matter.

NEW ASSISTANT SECRETARY OF MANUFACTURING

Question. While I have praised the Administration's efforts to organize a President's Manufacturing Council and appoint a new Assistant Secretary of Manufacturing, I am concerned that is taking so long to get these efforts off the ground. These initiatives were announced last September and I understand your staff has said not to expect anything before June—at the earliest. My constituents are understandably skeptical.

Given the problems already facing the new Assistant Secretary of Manufacturing and the expected lag time, are there plans to place MEP under the jurisdiction of the Assistant Secretary of Manufacturing?

Answer. There are synergies between ITA and MEP that we should use to provide better support to MEP's private sector clients. MEP and ITA staff are already working together to increase coordination. For example, our sectoral experts in the new Manufacturing and Services unit will benefit from enhanced coordination with NIST's technical experts. Similarly, our Commercial Service staff across the United States can help in marketing MEP's programs to the business community, particularly small and medium-sized business.

PATENT AND TRADE COMPLAINTS AND BACKLOG

Question. I have had complaints from constituents about the backlog of manufacturers' complaints in both the Patent Office and the International Trade Administration concerning both patents and trade violations. We have heard stories from constituents regarding American manufactured products that have been copied, sometimes down to a stamped company emblem, and then produced overseas, undercutting the price of the original American producer. What is the Department doing to respond to these complaints? How soon can we expect reductions in the current backlog?

Answer. The USPTO supports ITA in providing expert advice on trade dispute matters. Trade disputes are principally handled within ITA itself. The USPTO also responds proactively to trade issues through support of bilateral efforts undertaken by ITA, USTR, Customs, USDOJ, State and other agencies involved in IPR matters. We also provide support to training programs, which are intended to support foreign government's efforts to achieve WTO compliance. Through our participation in the National Intellectual Property Law Enforcement Coordination Council, we provide guidance on law enforcement matters involving intellectual property issues, including encouraging enhanced criminal enforcement. In certain instances, piracy and counterfeiting issues are attributable in part to delays and procedures by foreign patent and trademark offices themselves. Through office-to-office discussions as well as meetings in multilateral fora, such as the World Intellectual Property Organization, APEC/Intellectual Property Experts Group, and the United Nations Economic Commission for Europe, the USPTO encourages additional compliance with International standards.

 QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

EMERGENCY STEEL GUARANTEE LOAN PROGRAM

Question. President Bush's fiscal year 2005 budget proposes to rescind \$35 million from the Emergency Steel Guarantee Loan Program. This rescission will effectively kill the program, despite the fact that Congress has extended the program for two more years, through December 31, 2005. In recent testimony before the Senate Budget Committee, OMB Director Bolten stated that the Department of Commerce was "not planning to pursue rescissions from the steel loan guarantee fund." How does the Department reconcile this statement with the proposed rescission contained in the President's fiscal year 2005 budget? How does the President reconcile this statement with its numerous prior pledges to support the U.S. steel industry?

Answer. The Administration has supported a number of initiatives that have strengthened the steel industry, and will continue to do so. The statement of Director Bolten, to which you refer was made with regard to a rescission contained in the fiscal year 2004 omnibus appropriations bill. For fiscal year 2005, the Administration has proposed to fund the Emergency Steel Loan Guarantee Program (ESLGP) at a level of \$17 million. Enactment of the Administration's proposal would provide sufficient money in the ESLGP's account to accommodate current and anticipated demand while also permitting funds to be utilized for other priorities. Nevertheless, we remain concerned regarding the effectiveness of the ESLGP. There has

been a very low level of utilization of the program; during its existence, only three loans have closed with the benefit of a guarantee, and one of those has defaulted.

WTO RULING ON CONTINUED DUMPING AND SUBSIDY OFFSET ACT

Question. Congress included language in the fiscal year 2004 omnibus appropriations bill, which directs the Administration to negotiate a solution to the World Trade Organization's (WTO) ruling against the Continued Dumping and Subsidy Offset Act. When will the United States present its negotiating position on this matter to the WTO? In report language accompanying the fiscal year 2004 omnibus appropriations bill, Congress directed the Administration to report to the Senate Appropriations Committee every 60 days on the progress of these negotiations. Given the Congressional directive to negotiate a solution to this matter, what is the Administration doing to initiate these negotiations? Can you confirm that the first update will be provided to the Appropriations Committee 60 days from enactment of the omnibus appropriations bill, which would be on or about March 23, 2004?

Answer. The Administration has defended the Continued Dumping and Subsidy Offset Act of 2000 (CDSOA) throughout a long WTO dispute settlement process. The Administration has raised this issue in the context of the WTO's ongoing Doha Round of multilateral trade negotiations. Within WTO Rules Negotiations Group, we have raised the issue of WTO member's authority to distribute Anti-Dumping and Countervailing Duties. Consultations with the Congress on these and other trade negotiations are led by the Office of the U.S. Trade Representative and are ongoing.

As required in Senate Report language, the Department of Commerce and the Office of the U.S. Trade Representative are consulting for the purpose of ensuring proper implementation of the requirements of U.S. law regarding negotiations over the distribution of antidumping and countervailing duties. The Administration intends to comply with all such requirements, including reporting requirements. The Administration will complete these consultations as soon as possible and will continue to work to advance Congressional objectives in the Doha Round negotiations.

SECTION 201 DUTIES AND STEEL IMPORTS

Question. It is my understanding that the U.S. Commerce Department is considering whether to adopt a policy that would deduct import duties imposed under Section 201–203 of the Trade Act of 1974 ("Section 201 duties") from the U.S. price that is calculated in determining the margin of dumping in U.S. antidumping cases.

This is an important issue that is critical to the future of many U.S. companies and workers who rely on the effective enforcement of the U.S. trade laws. Several of my constituents and other interested parties submitted comments to the U.S. Commerce Department in support of this deduction of 201 duties last year. I understand that Commerce currently has a large number of administrative reviews pending in which this issue has been raised.

Is there any additional information that would assist the Department in deciding to endorse this policy of deducting 201 duties in antidumping duty cases? What will be the first case in which the Department will deduct 201 duties when calculating an antidumping duty margin?

Answer. On April 6, Import Administration announced its decision not to treat safeguard tariffs (201 duties) as a cost in the dumping margin calculations.

The issue was raised in several cases, including the ongoing administrative review of the antidumping duty order on stainless steel wire rod from South Korea. In this case, the U.S. importer, whose price to an unaffiliated U.S. buyer was used to calculate export price, was required to pay 201 duties. The petitioner argued that these tariffs constituted a cost that should be deducted from the U.S. price.

In September 2003, the Department published a Federal Register notice requesting public comment on the treatment of 201 duties (and the related issue of whether to deduct countervailing duties) in the antidumping duty calculations. The Department received extensive comments from a variety of parties, including domestic producers, U.S. importers, U.S. consumers, and foreign producers.

After fully and carefully reviewing the legal and policy questions involved in this issue, the Department concluded that the U.S. antidumping law does not intend for the deduction of safeguard tariffs from U.S. prices in calculating dumping margins.

Although the law clearly requires the deduction of normal import duties for dumping calculations, the Department believes that safeguard tariffs cannot be considered import duties. These tariffs are imposed only under special circumstances for the express purpose of providing relief from serious injury due to increased imports. Deducting safeguard tariffs from the export price in calculating dumping margins would effectively increase the safeguard remedy; in some cases providing a double

remedy. Further, it would create a situation where fairly traded imports could become liable for antidumping duties simply due to the imposition of safeguard tariffs.

The Department's decision on this issue is articulated in our Notice of Final Results of Administrative Review/Decision Memorandum, which may be found on Import Administration's website: www.ia.ita.doc.gov.

Question. On December 4, 2003, the White House Office of Communications issued "The President's Determination on Steel," which stated that President Bush "is committed to America's steel workers and to the health of our steel industry." It also stated that, "[s]teel import licensing, established when the safeguard measures were imposed, will continue to provide WTO-consistent data collection and monitoring of steel imports. This will enable the Administration to quickly respond to future import surges that could unfairly damage the industry."

The President's Proclamation of the same date similarly stated that "the licensing and monitoring of imports of certain steel products remains in effect and shall not terminate until the earlier of March 21, 2005, or such time as the Secretary of Commerce establishes a replacement program."

Secretary Evans, you made several comments to the media on December 4, 2003, regarding your commitment to the U.S. steel import monitoring and licensing system and indicated that it would be expanded to include steel products that were not subject to 201 tariffs and quotas. I want to be certain that you remain fully committed to this effort. Could you please advise me as to whether the Commerce Department has a plan to expedite the adoption of these expanded regulations? Could you also please advise me as to when the Commerce Department intends to request public comment with respect to its new import monitoring and licensing system? When would you estimate that it will be up and running? What assurances can you provide that the system will be operational by that date?

Answer. The Commerce Department is continuing to monitor closely the imports of those steel products for which the President implemented import relief pursuant to Section 201, as well as general market conditions. As a result, accurate information regarding such imports is being made available to the public on an expedited basis. We have been meeting with representatives of the steel industry and other stakeholders to get their input on improvements to the current system. The Administration is continuing to evaluate possible modifications to the current system and will ensure that it remains an effective monitoring tool.

Question. The U.S. Commerce Department currently does not pursue trade remedies under our countervailing duty law against non-market economies like China even though: (1) the U.S. negotiated subsidy disciplines with China as part of its accession to the WTO; (2) the United States has worked to see that China participates in the ongoing OECD steel subsidy negotiations; and (3) USTR reports various agricultural industries are experiencing ongoing export subsidies by China. Can you tell me whether the Commerce Department is reexamining this issue? If not, why not?

Answer. Commerce does not currently apply the CVD law to non-market economies, and this practice has been upheld in the courts in *Georgetown Steel Corp. v. United States*. In that case, the court affirmed Commerce's view of NME's as devoid of the kinds of market benchmarks necessary to identify a subsidy. Congress enacted substantial amendments to the CVD law in 1988 and 1994 without disturbing Commerce's practice in this area.

The Department recognizes that the reasoning underlying the *Georgetown* decision may not apply to China today to the extent that it did 20 years ago. However, applying the CVD law to non-market economies would raise complex issues of policy and methodology that the Department has not fully considered, including implications for antidumping policy and practice. Any such shift away from 20 years of trade practice should therefore only be implemented after careful consideration and review.

U.S. DUMPING LAWS

Question. Concerns exist about the adequacy of existing practices in administering the U.S. antidumping duty law against imports from NMEs, but particularly China. With the extraordinary trade deficit that the United States is running with China, can you provide details of what changes in the administration of the U.S. dumping law are being considered for NME cases and when the agency will be implementing such changes?

Answer. The Department will be giving priority attention to issues related to trade with China, which has been the object of a significant number of trade complaints. In fact, during the last three years, we have initiated more antidumping investigations and issued more antidumping duty orders against products from China

than any other country, more than twice as many as the next leading country. In 2003, more than 50 percent of all new antidumping orders put in place were against China (8 of 15 total orders).

The Department will soon establish an office that will focus on cases involving Chinese imports, further cultivating the expertise necessary to address the unique problems encountered in that market.

We have developed practices that allow us to more rigorously examine requests for new shipper reviews before initiation, and to continue to scrutinize eligibility for the reviews after initiation. As a result of these practices, in 2003, we declined to initiate approximately one-third of all new shipper requests, and we rescinded the initiation of several new shipper reviews. We have also increased our scrutiny of fraud and circumvention issues in the context of new shipper reviews. In addition, we are working closely with U.S. Customs and Border Protection to ensure that adequate financial security is provided in connection with merchandise imported during new shipper reviews and that—if our initiation of a new shipper review is ultimately rescinded—we will be able to require in appropriate cases that interest be assessed on merchandise imported during the review.

Single DAS for AD/CVD Operations: By placing all antidumping and countervailing duty case work under a single Deputy Assistant Secretary for Operations, we will facilitate case specialization.

Unfair Trade Practices Team: A new Unfair Trade Practices team will report to the DAS for Antidumping/Countervailing Duty Policy & Negotiations. This new unit will strengthen the Department's ability to advance U.S. trade policies and negotiations and address the root causes of unfair trade.

Efforts to Address Possible Fraudulent Activity: We have been developing more expertise within the Department on how to uncover potentially fraudulent activities, and through the Bilateral Task Force with the Bureau of Customs and Border Protection and the Bureau of Immigration and Customs Enforcement, we are developing new procedures for sharing information that will help us identify problems earlier and deal with them more effectively. For example, we now regularly request samples of actual entry documentation from Customs to compare with the documentation submitted by the foreign respondent or obtained at verification to ensure that the same documentation is provided to both agencies. We also conduct independent research into the foreign respondent's ownership, as well as the U.S. importer's ownership, to determine whether the information about affiliations is accurately reported in the questionnaire responses.

SUBCOMMITTEE RECESS

Senator GREGG. This subcommittee will convene next Tuesday, to hear from the Attorney General. We are recessed.

[Whereupon, at 11:19 a.m., Tuesday, March 2, the subcommittee was recessed, to reconvene subject to the call of the Chair.]