

**TESTIMONY OF  
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BEFORE THE  
UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON APPROPRIATIONS  
SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE  
AND RELATED AGENCIES  
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Thank you, Mr. Chairman, for the opportunity to testify before this committee regarding appropriations for the Trade Adjustment Assistance for Firms (TAAF) program administered by the Economic Development Administration at the U. S. Department of Commerce. On behalf of thousands of small American manufacturers, I want to thank you, and the members of this Committee, for your past support of this critical program. My name is David Hansberger, and I started working with the TAAF program in 1988, and since 2008 I have been the Director of the MidWest Trade Adjustment Assistance Center. I also serve as a member of the Board of Directors of the American Business Council, Inc. a 501(c)(6) organization dedicated to promoting free and open global trade for American manufacturers. We respectfully request that Congress continue to appropriate \$16 Million in Fiscal Year 2014 for the Trade Adjustment Assistance for Firms program. Despite the small budget, TAA for Firms delivers a big impact. I would like to focus my remarks on three areas: History, Operations, and Successes.

Trade Adjustment Assistance for Firms was created in the Trade Act of 1974, and was expected to be needed for a temporary period of five years. As you may have noticed, import competition has continued to be a concern for this country ever since 1974, and Congress in your wisdom has continued the TAA for Firms program through today. The TAA for Firms program differs significantly from the TAA for Dislocated Workers program administered at the Department of Labor, with much tighter requirements for entry, and a requirement of 1/60th fewer dollars. The intention of the program is to connect with small-to-medium sized manufacturing firms that have lost significant numbers of customers and sales due to lower priced imports, but which have not closed down, or moved their manufacturing overseas. These are companies that are staying in American communities and fighting for business. TAA for Firms helps these manufacturers train workers, improve productivity, and grow domestic and export sales. Congress should be proud of its creation.

Operationally, the MidWest TAAC is a private, non-profit consulting firm, one of 11 such centers that contract with the Economic Development Administration (EDA) to manage TAA for Firms throughout the country. My office serves manufacturers in Illinois, Iowa, Minnesota and Wisconsin, and our task is to identify eligible firms that manufacture or provide related services, and which have been hurt by import competition.

TAA for Firms operates by providing cost-shared assistance to implement specific consulting and technical service projects that are designed to improve the company's competitiveness, move them forward, and help them grow, thus maintaining and creating jobs. Each of the individual TAACs works with their manufacturing firm clients to establish their eligibility, and then to write a specialized business plan that looks at strengths, weaknesses, threats, and

opportunities. Specific projects are then detailed to address the weaknesses, build upon the strengths, guard against threats, and take advantage of opportunities. These projects are implemented by independent, private sector consultants and service providers, with the manufacturing firm paying half the bill, and the federal program paying half the bill. This structure makes sure that the projects are carefully designed, reviewed, prioritized, and focused to deliver positive and cost-effective results. And the manufacturing companies have their own “skin in the game” because they have to pay half the bill, too. With our key involvement, and the engagement of the manufacturing company in its project creation, the program is able to focus projects on what is needed now, not what was the hot topic 5 years ago. The training that is provided is done at the highly customize, granular level, and is tied to real jobs and current needs. This is a critical point. When TAA for Firms and the company spend any money on job training, it is done so to preserve an existing job or create a next generation job in the company. The training cost is attached to an immediate job need and skill set... not training for skills that may not be required in the workforce. This process has proven to work very well, with companies turning from declines in sales and employment to growth and success.

The projects we perform with our clients cover a wide range of needs, and are all focused on expanding their customer base, serving customers better, and making their product more efficiently. Examples of these projects include achieving recognized quality standards like ISO 9000, developing new products, updating websites to reach more customers and provide information on the new quality registration and new products, adjusting work flow for higher throughput, improving distribution and marketing, improving financial management, training workers on new equipment and procedures, export development, and on and on. Because of limited funding in the program we try to complete, on average, one project per year with each client in the program. We average about \$30,000 cost on each project. On average, firms adjust and generally leave the program within 3 to 5 years. The success has been very real.

The success of the TAA for Firms program is documented by both a recent General Accounting Office study of performance, and an Inspector General’s study of cost effectiveness. While the IG found that the program has a very low overhead, with 82% of funds going to serve and benefit the manufacturers, the GAO determined that the companies have demonstrated growth of 5% in sales. Not only did the companies turn from a decline of close to 18% in sales before they entered the TAA for Firms program, but GAO found that there was statistical significance between participating in the program and making the turnaround. This growth can be found in manufacturers that are working with the program, such as a Pennsylvania sports apparel company that has hired 25 new workers directly related to TAA projects. Or an Illinois die caster that has been awarded the Precision Metalforming Association Training Award, and The Hitachi Pioneer Award, both related to projects through the TAA for Firms program. Or the Pennsylvania company from the 1<sup>st</sup> District that makes industrial and scientific measuring equipment that worked with the program to update their website and attract more sales, and ended up attracting a healthy buyer for the whole company.

So what we have here is a program that targets small manufacturers that are already losing sales and shedding employees, and turning that around into sales and employment growth within a few years, at low cost. It doesn’t require years of trade investigations; it doesn’t require that the government develop the answers; and it doesn’t require the application of outdated training or operational models.

TAA for Firms is a unique federal initiative focused exclusively on small-to-medium sized companies. In the Midwest, our smallest client is about \$500,000 in sales, our largest is \$500 million, and our average client has 85 employees and \$18 Million in sales. On the national level, the average size parameters are very similar. At the end of 2012, our 890 active clients nationally demonstrated an increase in sales since they entered the program of 25.8%, and an increase in employment of 6.6%. This is in comparison to the BLS data for manufacturing employment showing a 14.4% decline in jobs over the past 6 years.

Some success stories of individual companies work with the TAA for Firms program can provide more understanding.

EXAMPLE 1 -A Wisconsin manufacturer of custom solenoids was experiencing tough competition from Asian importers in the automotive, recreational vehicle, motorcycle and industrial application markets. Several key customers moved their purchases to overseas providers with cheaper prices, resulting in a 21% decline in sales, forcing the company to lay off workers. The company was Certified into the Trade Adjustment Assistance for Firms program in June 2010. The manufacturer was able to enhance marketing tools with two projects in late 2010 that helped attract new domestic and international customers. In addition, the firm was able to cost-share export development assistance early in 2012, including research and marketing material translation. As a result of utilizing the Trade Adjustment Assistance for Firms Program, the manufacturer's exports have grown dramatically, with sales up \$5 million and employment up 27 workers since they entered the program.

EXAMPLE 2 -A Virginia company that all the experts say shouldn't be able to survive in America was experiencing heavy competition from imports. The company makes leather shoes, and had experienced what all shoe companies had seen. Sales were down 69%, employment down 17% and profits were only a memory. The company began working with the Mid-Atlantic Trade Adjustment Assistance Center, and focused on five major projects: E-commerce to generate revenue, new product development and new website development for longer term growth, RFID system implementation for cost control, and Six-sigma consulting for improved operations and quality. Since they entered the TAA for Firms program, the company has not only survived as one of the few leather shoe manufacturers in the country, but they have seen a 97% increase in sales, and a 22% increase in employees.

EXAMPLE 3 –An integrated metals manufacturer in the 1<sup>st</sup> District of Maryland has worked on 7 small projects through the Trade Adjustment Assistance program after documenting import impact and declining sales and employment. Projects have focused on improving quality procedures, systems, and registration, including Certification to the ISO 9001:2008 standard. This has allowed the company to pursue sales as a defense subcontractor, and attract new private sector customers as well. Since beginning work with the program, the company has achieved their first profitable year since 2006, and has shown gains in productivity and return on human capital.

EXAMPLE 4 – A conveyor manufacturing company from the 10<sup>th</sup> District of Virginia experienced significant import impact, with a 34% sales decrease and an employment decline of 12%. The company was able to show eligibility and enter the Trade Adjustment Assistance for Firms program, and began to implement 10 small projects over a period of 3 years. The company implemented Lean Manufacturing, updated their website and marketing materials, conducted employee training, and reached new customers through an updated trade show design. These projects were all cost-shared with 50% of the funds coming from the TAA for Firms program, and 50% paid by the company itself. The results were very good, with a 109% sales increase, and a 21% increase in employment. The industry noticed the improvement, and a competitor decided to buy the company for their significant and continued growth potential.

In the future, we hope TAA for Firms will be viewed by Congress as separate and distinct from other Trade Adjustment Assistance programs. We feel that the program results are strong enough to stand independently, in any format that Congress should see fit to redefine the program. TAA for Firms is the model of a low-cost and flexible program that provides modest seed money allowing companies to reverse declining trends and gain stability toward robust growth.

TAA for Firms should not be lumped with the Dislocated Workers program because the Firms program is saving jobs, and allowing thousands of workers to hold onto their jobs so that they never require dislocated support and services. Our price tag for saving jobs is exponentially less than the Billions used to adjust workers who lose jobs due to company closures, downsizing, and outsourcing. We hope Congress will review this program's authority and funding as a separate, distinct, and proven successful remedy for trade inequities and community development.

Whether you measure the TAA for Firms program by the success stories of individual companies, or the data compiled by the national network of TAACs, or the independent reviews of the GAO and the IG, the consistent message is that the program works to grow small manufacturers in a cost effective way. While many are talking about the need to support small businesses, grow exports, and support manufacturing jobs, here is a program that does all three, and delivers cost-effective growth in an existing, tested model.

The TAA for Firms program continues to be an effective model for integrating, combining, or expanding efforts to grow manufacturing, deliver worker training, and expand exports now and in the future. Your support for an appropriation of \$16 Million in FY'14 will certainly allow this work to continue and achieve the trends we see in this sector of American manufacturing thanks to the TAA for Firms program. Thank you very much for your time and attention, and the opportunity to summarize this small, but important program. I would be happy to answer any questions.