

Testimony of the Honorable Debbie Dingell (MI-12)

House Committee on Appropriations

Subcommittee on Commerce, Justice, Science and Related Agencies

February 28, 2017

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### **The Importance of the MEP System**

Throughout last campaign season, we heard about the importance of American manufacturing. The President continues to talk about the importance of making things right here at home. Yet, yesterday the Trump Administration released a budget blueprint outlining \$54 billion in cuts to non-defense discretionary programs. I am here today to discuss the importance of one program that is in every single state and allows growth opportunities for companies and helps them become globally competitive – the Manufacturing Extension Partnership, or MEP.

MEP is a federal public-private partnership that provides small and medium-sized manufacturers with technology-based services they need to thrive in today's economy and create well-paying manufacturing jobs. MEP is managed by the National Institute of Standards and Technology, or NIST, and implemented through a network of industry-led centers. This program offers services for American workers and manufacturers but also plays a vital role in our national defense manufacturing sector.

I know that the Appropriations Committee will have difficult decisions for how to allocate scarce federal dollars. MEP has a proven track record in providing an important set of services to small-and-medium sized manufacturers and delivers a high return on investment to taxpayers. If we are going to create new jobs in this country and keep our competitive edge

internationally, then we should be doubling down on our investments in MEP, rather than slashing their budget.

Small and medium-sized manufacturers account for nearly 99 percent of all manufacturing firms in the U.S., and MEP is the only federal program dedicated to serving them. According to BLS data, 90% of US manufacturing companies are classified as Small Businesses yet they employ 46% of the manufacturing workforce, which is up from 32% in 1980. These firms comprise the supply chains of Fortune 500 manufacturers and drive our nation's economy. Due to their need for manageable and customized services, they often are overlooked by for-profit consulting and technology firms – but need those services to compete, grow and create jobs. The MEP centers fill that gap. In 2016, more than 25,000 small and medium-sized manufacturers used the MEP network.

MEP's Michigan Manufacturing Technology Center is also helping Michigan's defense manufacturers ensure that their companies become compliant with DOD's cybersecurity guidelines that need to be in place by the end of 2017. Failure to comply with these cybersecurity standards could have an enormous impact on manufacturers across the state. Defense-related businesses in Michigan employ nearly 100,000 and produce \$9 billion in products and services annually. 70% of everything a soldier shoots, drives, flies, wears, eats or communicates with has a component that is contracted in Michigan and MEP plays a large role supporting those companies.

While MEP has success stories all over the country, I'd like to tell you about one from my district. In 1995, Noah Kaplan founded Leon Speakers in Ann Arbor, Michigan, with a dream of mixing art with audio, and design with technology. Bringing together a group of artists, designers, engineers and craftsmen dedicated to producing the finest quality bench-made

America audio products, Noah tirelessly and steadily built a company whose products eventually became distributed across the U.S. Yet it came with a price. The same growth that fueled Leon Speakers' success soon became an inhibitor to further expansion.

With a goal of becoming a global seller of audio products, Noah attended a seminar at the Michigan Manufacturing Technology Center, a member of the Manufacturing Extension Partnership program. There Noah was introduced to The Center's deeply experienced consultants, and he realized the vast resources available to help his company and his people grow. After a tour of Leon's production facility, The Center's team joined Noah in developing a strategy to improve product innovation and tap the efficiencies of lean manufacturing. The plant's layout was completely changed, new equipment was purchased, and value stream mapping was employed. Once those processes were in place, Noah wanted to go even further. For him, manufacturing is an art, an art that is created through people as much as through processes. With The Center's guidance, Noah embarked on a mission to infuse a lean culture throughout his organization. Noah has always believed that investing in his people is equally important as investing in the plant itself. By growing each employee, Noah was able to further scale his business.

Today, Leon Speakers are sold globally. Better jobs and better benefits are available to the company's 55 full-time employees. Since 1988, MEP clients reported nearly 900,000 jobs have been created and retained . Each of these jobs create 3.4 full-time additional jobs, totaling more than 3 million additional jobs in local communities. The total impact by the MEP program generates significant local, state and federal tax revenues.

Noah continues to call on the Michigan Manufacturing Technology Center for mentoring and guidance. Results like these are not uncommon for the Michigan Manufacturing Technology Center, which has served the state since 1991.

MEP centers play a key role in our nation's economy and are designed to provide small and medium-sized manufacturers with the tools and improvements necessary to compete and grow in a cost-effective manner. Last year, the Michigan Manufacturing Technology Center worked with 589 companies, representing 79,271 employees in Michigan. Since its founding, The Center has interacted with roughly one-fourth of the state's SMMs, and has completed more than 7,150 projects with nearly 2,332 distinct SMMs.

As a public-private partnership, MEP delivers a high return on investment to taxpayers. Each year, an independent firm surveys manufacturers regarding the impact they have achieved from MEP center services. In 2016, MEP clients reported \$9.4 billion in new and retained sales, of which \$2.3 billion is new sales, providing a return on investment of 17:1 (compared to \$130 million federal investment) and the creation or retention of 86,602 jobs. Considering that the average U.S. manufacturing worker earns more than \$81,000 in wages and benefits per year, MEP clients are economic drivers in their communities. MEP clients also are increasing their capacity for the production of goods, reporting \$3.5 billion in new investments directly attributed to their work with MEP.

As you can see this program has a massive return on investment for the American taxpayer. It also provides great wages for American workers. Eliminating a manufacturing program like this one would be in direct contradiction to the campaign promises and priorities that the American people are expecting from those of us in Washington. Every single state has benefited from this program and I hope other members will see its importance to American

manufacturing. I urge my colleagues to support full, continued funding for the Manufacturing Extension Partnership.