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S. HRG. 103-956

NOMINATIONS OF DAVID J. BARRAM TO BE DEPUTY SECRETARY OF COMMERCE AND STE- VEN O. PALMER TO BE ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS OF THE DE- PARTMENT OF TRANSPORTATION

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Nominations of David J. Barram to b...

HEARING BEFORE THE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE ONE HUNDRED THIRD CONGRESS

FIRST SESSION

SEPTEMBER 15, 1993

Printed for the use of the Committee on Commerce, Science, and Transportation



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OFFICE OF THE ASSISTANT SECRETARY
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**NOMINATIONS OF DAVID J. BARRAM TO BE
DEPUTY SECRETARY OF COMMERCE AND
STEVEN O. PALMER TO BE ASSISTANT SEC-
RETARY FOR GOVERNMENTAL AFFAIRS OF
THE DEPARTMENT OF TRANSPORTATION**

WEDNESDAY, SEPTEMBER 15, 1993

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The committee met, pursuant to notice, at 11:15 a.m. in room SR-253, Russell Senate Office Building, Hon. Wendell H. Ford, presiding.

Staff members assigned to this hearing for Mr. Barram: Beth Inadomi and Rebecca A. Kojm, professional staff members; and Emily J. Gallop and Susan Adams, minority professional staff members.

Staff members assigned to this hearing for Mr. Palmer: Rebecca A. Kojm, professional staff member; and Emily J. Gallop and Susan Adams, minority professional staff members.

OPENING STATEMENT OF SENATOR FORD

Senator FORD. Thanks for your attention. Good morning, ladies and gentlemen. We are a little late, but our chairman is testifying on a very important piece of legislation as pertains to the North American Free Trade Agreement and I have been called on to substitute for him. The only thing that I can do that Senator Hollings would do is I can pound the gavel. Everything else, he is bigger and better at. Mr. Chairman, your comments, please.

OPENING STATEMENT OF SENATOR HOLLINGS

The CHAIRMAN. Today the Committee on Commerce, Science, and Transportation is holding a confirmation hearing on Mr. David R. Barram, the administration's nominee for the Deputy Secretary of Commerce. Mr. Barram is being nominated for an important position, involved in many critical policy issues.

Traditionally, the Deputy Secretary of Commerce has served as the Department's chief operating officer, or its internal manager. Management of the Department of Commerce's operations covers a wide range of complex activities, from the development of trade, technology, and telecommunications policy to oceans and atmospheric issues. While managing DOC has always been challenging, the Department's diverse programs are particularly important

today to the U.S. economy as the world moves away from military confrontation and focuses more on economic competition and new international alliances. DOC must be prepared to play a key role in this changing world, and the Deputy Secretary of Commerce certainly is an important player in this effort.

This administration has taken significant steps to promote economic growth, specifically advocating investment in technologies that will encourage the efficient use of resources, foster new industries, and create new jobs, and facilitating a shift in investment from defense to civilian technologies. DOC has a prominent role in implementing these initiatives and promoting U.S. competitiveness.

On the edge of the 21st century, DOC stands as the lead Federal agency for major economic and technology initiatives. Managing these diverse programs in the postcold war era with tighter budgets will require an innovative and experienced manager. The Deputy Secretary of Commerce must be prepared to assume such a task.

I look forward to hearing from Mr. Barram on these and other important issues facing DOC.

Thank you, Mr. Chairman.

Senator FORD. Thank you, Mr. Chairman. We are very pleased this morning to have Senator Feinstein, Senator Boxer, Congressman Mineta, and the Honorable Anna Eshoo, if that is correct.

Ms. ESHOO. Eshoo.

Senator FORD. Eshoo.

Ms. ESHOO. Eshoo. It is like a sneeze.

Senator FORD. Well, well. For a country boy from Yellow Creek, getting close anyhow.

So, we are delighted to have all of you here this morning to support David Barram as Deputy Secretary of the Department of Commerce. The confirmation hearing is for Mr. Barram for Deputy Secretary of Commerce. The position of Deputy Secretary, in my opinion, is critical to implementing the economic policies and programs of the Department of Commerce and the administration.

The committee notes that Mr. Barram has been cleared by the Government Ethics Office and cleared by the General Counsel's Office of the Department of Commerce. So, not to appear to be prejudiced, I will recognize Senator Feinstein.

STATEMENT OF HON. DIANNE FEINSTEIN, U.S. SENATOR FROM CALIFORNIA

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

I am very pleased to be here to introduce to you David Barram for the No. 2 job at the Commerce Department. This is an important job, and it is important, I believe, that David Barram is a Californian. Because, after all, one out of eight Americans today lives in California. And it is a State whose economy is troubled and it is a State whose economy affects the rest of this Nation.

I believe that through this important position, Mr. Barram will have a direct impact on the economy of the entire country. And I am confident that he will be an asset to Secretary Brown, the President, and the Nation.

Mr. Chairman, Senator Boxer joins with me in this statement. She is delayed on the floor in a debate and, if I may, I would ask

for your consent to introduce her personal remarks into the record of this committee.

Senator FORD. Without objection, her statement will be included in the record as if given.

[The prepared statement of Senator Boxer follows:]

PREPARED STATEMENT OF SENATOR BOXER

Thank you Mr. Chairman. I am proud to come before your Committee to introduce David Barram. I believe that David will be an excellent Deputy Secretary for the U.S. Department of Commerce.

David has lived all of his adult life in the great state of California. He has contributed a tremendous amount to California's economy during his 25 years of experience in various businesses. He served in the senior management of Hewlett-Packard; he worked as Chief Financial Officer at Silicon Graphics; and, most recently, he served as Vice President at Apple Computer.

I believe that David will be able to use the lessons he learned while running these top California companies to prepare the Commerce Department for the 21st century. He has a vision for what American industry can and should be. He talks about encouraging worker productivity by enhancing worker participation. He talks about tailoring products and services to the needs of the consumer. He talks about the need for innovation, and the importance of a speedy decisionmaking process. And, by witnessing the struggles of the U.S. semiconductor industry, he understands the important role that the government can play in helping U.S. industries to cope with unfair foreign competition.

I believe that his vision—fostered by his years in the Golden State—will set the Commerce Department in the right direction. A direction that will mean business creation and expansion, greater U.S. exports and more jobs for America's workers. David is committed to reinventing the way the Commerce Department works. This means new ideas and new hope for America's industries.

Senators and Members of Congress can look forward to working with David on many issues that are of critical importance to our future economy. We will be working together to provide economic conversion assistance to help workers and businesses to make the transition from a military to a civilian-based economy. We will be working together to revise and streamline the U.S. export control regime so that our high-tech companies are not unduly burdened by limits on their exports. We will be working to promote and encourage exports of America's cutting-edge technologies, including medical devices and environmental monitoring equipment.

I believe that David knows what needs to be done to get our businesses and our country back on the road to prosperity. In his position as Deputy Secretary of Commerce, he will be able to put these ideas to work. I urge this Committee to approve his nomination.

Senator FEINSTEIN. Thank you, Mr. Chairman, after 13 years at Hewlett-Packard, Mr. Barram moved over to join the senior management of Silicon Graphics. Both of these companies are major companies in the Silicon Valley area of the State of California, which has about one-third of all of the high-technology industry in the United States. When he started at Silicon Graphics he was No. 30 of 30 employees in the whole company. When he left, the company employed over 200 people and had raised over \$20 million in venture capital. Of course, today it is a much larger company.

In 1985, Mr. Barram finally joined Apple Computer as its chief financial officer, and then became Apple's vice president of worldwide corporate affairs and public policy. Within a month of joining Apple as chief financial officer, he presided over a complete reorganization of the company and managed the company on a day-to-day basis for the next 3 to 4 months.

He has also served on the United States Competitive Policy Council and has devoted time to the State of California's Public School Operations Committee. He was actively involved in the rapid economic growth of Silicon Valley by serving on the Sunny-

vale Charter Review Committee and the planning commission of that community.

So, he brings both public policy in terms of Government, as well as public policy in terms of business. He knows the complexity of global trade and global competitiveness. He knows how to deliver results on time. He knows the importance of the customer and will treat the U.S. taxpayer as a customer, and he knows how to manage people and large organizations.

I might say that this is a very important post. I am particularly glad to have someone who is familiar with the high-technology industry. One of the major items that Commerce has before it today is export controls on supercomputers, And I happen to be one of those that believe that, in this postcold war world, the time has come to really dramatically change how we look at these exports. Because to prevent their export is only to say to countries go to other nations to make your purchases.

So, David Barram, I think, will bring to the Department a new postcold war philosophy which is based on three major companies, Apple, Hewlett-Packard, and Silicon Graphics, and his experience in a major high-technology area. I am very proud to introduce him to this committee, and to join with my colleague and friend, Senator Boxer, and with Congressman Mineta and Congresswoman Eshoo, both of whom know him very well. And I thank you for the time, Mr. Chairman.

Senator FORD. Thank you, Senator. Representative Eshoo.

STATEMENT OF HON. ANNA ESHOO, U.S. REPRESENTATIVE FROM CALIFORNIA

Ms. ESHOO. Good morning, Mr. Chairman. I am very pleased to come before your committee today to introduce an outstanding individual, Mr. David Barram. He is here, of course, to seek your confirmation to become the next Deputy Secretary of Commerce.

I have known Dave for a major part of his 25 years in Silicon Valley, which I am privileged to represent, my district being the 14th Congressional District in California. During this period Dave has worked, as Senator Feinstein just stated, for three American companies who have revolutionized the global computer industry: Hewlett-Packard; Silicon Graphics, which I might add back in February, our President and Vice President visited that very company to see firsthand what they are doing; and Apple Computer.

Mr. Chairman, I am here today, obviously, to offer my full and enthusiastic support for Mr. Barram's confirmation. He was raised in New England. He brings the best of New England values to the west coast. I would like to think that I do too; we are both bicoastal.

Mr. Barram moved to California 24 years ago. In his own words, he was lured to California's Silicon Valley where he saw an opportunity to be out there inventing the future. And that is exactly what he did. He is one of several outstanding executives who received training at Hewlett-Packard.

When he later joined Silicon Graphics he was employee No. 30. When he left 2 years later, Silicon Graphics had grown to 200 employees, accumulated a venture capital base of \$20 million, and was actively selling its first product. You have seen the results of Sili-

con Graphics technology in everything from sophisticated technology employed in Desert Storm to mass media special effects like those used to make the recent film Jurassic Park.

After Silicon Graphics, Dave Barram continued to develop his reputation as an industry innovator at Apple Computers. In many ways, Apple Computers and Dave Barram were the perfect match. With its heavy emphasis on product innovation and research, Apple provided Mr. Barram a user-based priority structure that placed the customer experience above everything else. If there is anyone that needs the benefit of this, it is the Federal Government and Commerce. So, within this structure, Mr. Barram helped keep Apple on the leading edge of technology development.

Mr. Chairman, and to all the committee members, I believe I represent one of the most extraordinary congressional districts in our Nation. It has vibrant and highly educated people who are pioneering new advances every day. The high-technology industry and our Government are at a critical crossroad. Each must understand the tremendous possibilities, and also the limitations that we both bear.

Dave Barram can bring to Commerce a knowledge of these issues faced by the industry that he has served so well, and the need for unprecedented market speed, trade law reform, and intellectual property rights. He is also a strong signal to the high-technology community that this administration wants to address these problems and, indeed, take action on them and be a leader in the global marketplace, which is what this country, in terms of its economic future, needs to demonstrate.

So, I am so very proud to both represent the district that I do and to sit next to a man that has come from and is a product of the 14th congressional district, the private sector experience. And by the way, I think most important as well, he and his wife Joan have been an integral part of the community in which they have resided. They have not simply been part of the private sector not knowing what our communities need. His wife Joan has served with distinction on one of our local school boards and we are sorry to lose her leadership in the valley there on education, but we are going to welcome her here to Washington, DC, following your swift confirmation of Dave Barram.

Thank you very much for the opportunity to be here this morning to recommend him to you.

Senator FORD. I like your positive attitude. [Laughter.]

Now it is my pleasure to recognize a friend, the distinguished chairman of the Public Works Committee—I guess we could call it almost a sister committee—Congressman Norm Mineta. Norm, we are delighted to have you here this morning.

**STATEMENT OF HON. NORMAN Y. MINETA, U.S.
REPRESENTATIVE FROM CALIFORNIA**

Mr. MINETA. Thank you very much, Mr. Chairman. It really is a great honor for me to have this opportunity to be before you, and to join Senator Feinstein, Senator Boxer, as well as my very fine colleague, Anna Eshoo, in introducing you to Dave Barram, President Clinton's nominee to serve as Deputy Secretary of Commerce.

As Anna has indicated, she represents the 14th congressional district, and I represent the 15th congressional district, which is the adjoining one, sharing in the honor of representing Silicon Valley.

There is no question this Nation is at a crossroads in keeping our economy moving forward and competing in the global marketplace. And I can think of no more outstanding choice to help move our economy into the 21st century than Dave Barram. I have known Dave since his early days at Hewlett-Packard. David's achievements in the private sector are well known and have made him a highly respected figure in the high-technology industry. David also understands the relationship which exists between the public and private sector.

At Hewlett-Packard, David learned and practiced two very important ideas. People are the key to productivity and providing a contribution to the customer is essential to economic success. David Barram was the first CFO and 30th employee of Silicon Graphics, as has already been mentioned, and yet in 2 years they had over 200 employees and raised over \$20 million in venture capital.

David then became the chief financial officer for Apple Computer. Again, you have heard of his exploits there where he had to, within the first months at Apple, be in a position to reinvent their company in order to survive. David was a vital component in the reorganization of a company where there were layoffs of 25 percent of the workforce and where they had to manage the day-to-day operation of the company. David understood there was now global competition, and that this was more important than a "price is all that matters" mentality.

The public-private sector relationship is very important to David. I have worked with David on many community issues, and have found him to be a man committed to helping society.

David also experienced firsthand the roller coaster ride taken by the semiconductor industry, and as a member of the Science, Space, and Technology Committee I was vitally involved as we were going through that whole issue. At the time, as you will recall, Mr. Chairman, the industry wanted no part of Government assistance until the Japanese Government began to affect the global position in the semiconductor industry.

The high-technology industry then came to you and to all of us to create the U.S.-Japan semiconductor agreement, and pushed the Government to place sanctions on the import of Japanese chips. This act was unusual for the entrepreneurs who founded this industry. David understands that there must be an ongoing dialog between the public and private sectors to ensure our country's economic growth and prosperity.

In closing, Mr. Chairman, there is no individual more qualified to fill the position of Deputy Secretary of Commerce than David Barram. As has already been pointed out, Joan was an active elected official in our community, and now this great team will be here in Washington, DC, through the good graces of this committee. And so I urge you and the members of your committee to move quickly on David Barram's nomination. And thank you, again, Mr. Chairman, for this opportunity to be here on his behalf.

Senator FORD. You are mighty nice, Mr. Chairman, and I appreciate your statement this morning. If you all care to go, I will assure you that the hearing will not be very long. With such eloquence this morning from your support, it would be very difficult. And so I do thank you all very much. If you wish to stay that is fine, otherwise you can go.

Uh-oh, we are going to kissing and hugging here now. [Laughter.]

That is California style, I guess, and I just live in Kentucky. [Laughter.]

I noticed the chairman did not kiss you and hug you, Mr. Barram. [Laughter.]

If you do not mind, Mr. Barram, we have one of our colleagues here that needs to go to another meeting, and he wishes to present the next nominee. And Senator Daschle is here and I would like to recognize him, with your permission.

Senator Daschle, if you wish to say a few words about the next nominee, I would be more than pleased for you to do that.

STATEMENT OF HON. THOMAS A. DASCHLE, U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. Well, thank you very much, Mr. Chairman. And let me say I am not a member of this committee, but were I a member I would vote for David Barram, given what I have just heard. [Laughter.]

I want to thank you for accommodating me. I know we have a vote at 11:30 and the chairman himself will have to excuse himself from the committee.

I have the very distinct pleasure, and probably the easiest task I will have all week long, in recommending to this committee Steven Palmer to be Assistant Secretary for Governmental Affairs of the Department of Transportation. I have had the distinct pleasure of working with Steve for a number of years. He is probably well known by everybody in this room, and well respected for his expertise in aviation, transportation, space, and budget matters.

He has been someone that we have all had the opportunity to work with on a number of these issues. He is particularly knowledgeable on transportation issues, and I think it is fair to say he has become well acquainted with those people in the legislative and executive branches of Government who work on these issues. He knows those who have testified at this table this morning. He knows the members of this committee and he certainly knows the staff. And so he brings to this particular position the rare blend of knowledge of the issues as well as a good recognition of the importance of communication with the people who develop the policy on these issues.

What the members of this committee may not know is that Steve is a South Dakotan. And as a South Dakotan, I am very proud to recommend him to this committee, first because of the qualities that I have just outlined, but second because of the talent that South Dakotans can bring to Government. He is a person that we are proud of.

He was born in a town not too far from the town I was born in, Bowdle, SD. His parents just told me this morning they call him

the Bowdle Baby. Given the fact that only three or four are born each year in Bowdle, SD, that makes him a very unique individual. [Laughter.]

So, I hope you will treat him with the respect that he deserves in that regard alone.

Senator FORD. Is that somewhere near Mobridge?

Senator DASCHLE. Very close to Mobridge. Very close. In fact within—

Senator FORD. They have championship chili in Mobridge, SD.

Senator DASCHLE. There you go. Spoken like a true South Dakotan.

Senator FORD. You get buffalo or beef, either one.

Senator DASCHLE. That is right. But let me conclude by saying I am confident Steve Palmer will indeed serve us well as the Assistant Secretary for Governmental Affairs in the Department of Transportation. I am enthusiastic about his nomination, and I certainly hope the committee will see fit to support it.

Thank you very much, Mr. Chairman.

Senator FORD. Thank you, Senator. Mr. Barram, if you would like to go ahead and make a statement. I would like to complete this hearing before we have votes.

STATEMENT OF DAVID J. BARRAM, DEPUTY SECRETARY- DESIGNATE, DEPARTMENT OF COMMERCE

Mr. BARRAM. I am honored to be here, nominated by the President and honored to come before you, and I appreciate the committee scheduling my hearing so quickly. Not everything worked this quickly in the process.

I am part of a very close, extended family. My wife, my kids, my mother, my father, and my four younger brothers and their families.

Senator FORD. Do you have any of them with you here today?

Mr. BARRAM. No. They would have flown here, I think, from the west coast if I had let them. I wish I could introduce them all, and especially my wife Joan, that Anna and Norm have mentioned. She, by the way, is waiting by the telephone to find out if I get confirmed so that she can pack.

I am personally very excited about the chance to be the Deputy Secretary of Commerce in the early stages of a new administration, one with such a strong commitment to fundamental change. This is truly an amazing time in the history of the world, and therefore an amazing time in our country's life. When I left the Navy almost 24 years ago I left New England, the Midwest, the Southeast where I had grown up and educated and served in the military, to try this alluring place called California.

The State was rich, the school system was the best, the weather was wonderful, and dreams were being fulfilled every day. And Silicon Valley by itself was a startup venture. In 1969, although beset by the tumult of the sixties, America was very confident of itself. We could do and be whatever we wanted to. And in California we had that in an extra measure. We saw ourselves as being out there inventing the future.

Then the world changed. We no longer dominated economically. Simply being able to say "made in the USA" was no longer enough.

Now we have to make better products that thrill customers at good prices, and it all happens faster than we are used to. I think we should all have a plaque on our desk with the word "speed" facing us every morning or every day. Airlines, banks, auto companies, aerospace companies, computer companies, communications companies all know they have to get product ideas to market this, make organization changes fast, and be good at telling the world quickly what they are marketing.

I have experienced the trauma of managing in this climate of change, and it is tough. I have experienced the situation where critical parts of an organization are behind other parts, and the result is a serious loss of competitive strength. Fortunately, I have many more times been in a situation where we have tied together the parts and made the whole greater than the sum of the parts. But never was that possible without an emphasis on speed and on the customer.

Today, in the fall of 1993, this administration and this Congress seem to be intent on moving ahead on many fronts with more speed than ever before. And I am sure your constituents tell you how much we need change and yet how scared they are about its effect on them. And I am sure there are things that you will wish the Commerce Department would move faster on, and it is possible we may someday wish you might move faster on something.

Industry also wants us to move faster. The people want us to move faster, but they both want us to do so with great wisdom and without messing up their lives.

I want to help the Department of Commerce develop a mentality of speed as much as I possibly can. I also want to help us all find a way to do that so employees of Commerce and in general can minimize the scary and demoralizing effect that instability has on our lives.

The Department will have a busy fall, among them many items on our plate is the report from the trade promotion coordinating committee.

As you know, this TPCC, comprised of 19 Federal agencies that are involved in trade promotion and that Secretary Brown chairs will be reporting to Congress and the public by September 30. Using the TPCC, we hope to effectively harness the Federal Government to increase U.S. exports and create jobs. At the same time, as we focus on trade, we will focus at least as hard on technology.

I appreciate the efforts of this committee to help the Department develop a technology policy that will provide an umbrella for the many things we need to do. In fact, today, the Vice President and Secretary Brown are announcing the administration's agenda for action for how we can work together on the national information infrastructure. This is an enormously complicated set of issues. I believe that how we work on this set of issues will be a good test of our ability to work in a balanced way with the marketplace.

This Government is not going to build this network of networks. The private sector is. We can facilitate, we can remove obstacles, we can sometimes prod, but we will only succeed as a society and an economy if the private sector makes this potentially huge marketplace a profitable and customer-thrilling business.

I had the great fortune to visit the NOAA labs at Boulder in August and will be visiting part of the fleet this Friday. I am greatly impressed by both the quality of the science being done and the variety. In fact, Under Secretary of NOAA Jim Baker says he thinks I may be the first Deputy Secretary to ever have dropped a BT off the stern of a ship when I was in the Navy.

Today, we use new radar and satellite technology to observe winds, waves, and temperatures. We know so much more, and we are beginning to have the technology to turn that knowledge into predicting ability. As I learn more about NOAA's capability to help American commerce I expect I will become a strong advocate of efforts to make sure we invest in the ideas that NOAA is bringing to the forefront.

The Department of Commerce is a large and varied organization. We have a lot to be proud of. We have outstanding technology in NOAA, NIST, NTIA. We have widely used and valued products from information about the economy to census data to trade assistance to patent information to new technologies, and we have a real commitment to reinventing the way we work.

If I am confirmed, I am looking forward to learning much more about the Department and making a real difference in its progress as I do so.

Thank you, Mr. Chairman. I would be happy to answer any questions that I can.

[The prepared statement, biographical data, and prehearing questions and answers of Mr. Barram follow:]

PREPARED STATEMENT OF DAVID J. BARRAM

Good morning. I am honored to be nominated by the President and honored to come before you.

I am, personally, very excited about the chance to be the Deputy Secretary of Commerce in the early stages of a new Administration—one with such a strong commitment to fundamental change.

THIS IS A VERY CHANGED WORLD

This is truly an amazing time in the history of the world and therefore an amazing time in our country's life.

When I left the Navy almost 24 years ago, I left New England, the Midwest, and the Southeast (where I had grown up, been educated, and served in the military) to try this alluring place called California. The state was rich, the school system was the best, the weather was wonderful and dreams were being fulfilled every day. And, Silicon Valley was, itself, a start-up venture. In 1969, although beset by the tumult of the 60's, America was very confident of itself. We could do and be whatever we wanted to. And, in California, we saw ourselves as "out there" inventing the future.

Then the world changed. We no longer dominated economically. Simply being able to say "Made in USA" was no longer enough. Now, we have to make better products that thrill customers at good prices. And, it all happens faster than we are used to. We should all have a plaque with the word "speed" facing us on our desks each day. Airlines, banks, auto companies, aerospace companies, retailers, computer companies, communications companies, know they have to get product ideas to market fast, make organization changes fast and tell the world quickly what they are marketing.

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I want to help the DOC develop a mentality of speed as much as I possibly can. I also want to help us all find a way to do that so employees (of Commerce and in general) can minimize the scary and demoralizing effect that instability has on our lives.

TRADE AND TECHNOLOGY

The Department will have a busy fall. Among the many items on our plate is the report from the Trade Promotion Coordinating Committee. As you know, this TPCC, comprised of 19 federal agencies that are involved in trade promotion, and that Secretary Brown chairs, will be reporting to Congress and the public by September 30.

Using the TPCC, we hope to effectively harness the federal government to increase US exports and create jobs.

At the same time, I appreciate the efforts of this Committee to help the Department develop a technology policy that will provide an umbrella for the many things we need to do. Today, the Vice President and Secretary Brown are announcing the Administration's agenda for how we can work together on the National Information Infrastructure. This is an enormously complicated set of issues. I believe this will be a good test of our ability to work in a balanced way with the marketplace.

The government isn't building this "network of networks." The private sector is. We can facilitate, we can remove obstacles, we can sometimes prod, but we will only succeed as a society and economy if the private sector makes this potentially huge marketplace a profitable and customer thrilling business.

THE ENVIRONMENT, THE WEATHER; THE SEAS, THE FISH

I visited the NOAA labs at Boulder in August and will be visiting part of the fleet this Friday. I am greatly impressed by the both the quality of the science being done and the variety.

Today we use new radar and satellite technology to observe winds, waves and temperatures. We know so much more and we are beginning to have the technology to turn that knowledge into predicting ability. As I learn more about NOAA's capability to help American Commerce, I expect I will become a strong advocate of efforts to make sure we invest in the ideas that NOAA is bringing to the forefront.

CONCLUSION

The Department of Commerce is a large and varied organization. We have a lot to be proud of. We have outstanding technology in NOAA, MST, NT1A; we have widely-used and valued products (from information about the economy, to census data, to trade assistance, to patent information, to new technologies); and we have a real commitment to reinventing the way we work. If I am confirmed, I am looking forward to learning much more about the Department and making a difference in its progress as I do so.

Thank you, Mr. Chairman. I would be happy to answer any questions that I can.

BIOGRAPHICAL DATA

Name: Barram, David John; address: 1515 Redwood Drive, Los Altos, CA 94024; business address: Apple Computer, Inc., 10431 N. De Anza Blvd., Cupertino, CA 95014.

Position to which nominated: Deputy Secretary—Commerce; date of nomination: September 7, 1993.

Date of birth: December 27, 1943; place of birth: Keene, NH.

Marital status: Married; full name of spouse: Joan Ceder Barram; names and ages of children: Edward Ceder (Ted) Barram, 23; and Diane Elizabeth Barram, 21.

Education: Santa Clara University—S.C. CA, 9/70–6/73, MBA; and Wheaton College, Wheaton, IL, 9/61–6/65, BA.

Employment: 4/85–7/93, Apple Computer, Inc., Business Management; 4/83–4/85, Silicon Graphics, Business Management; 1/70–4/83, Hewlett-Packard Co., Business Management; 9/66–12/69, U.S. Navy, Navy Officer; and 8/65–9/66, Price Waterhouse & Co., Staff Accountant.

Government experience: 1992, U.S. Government, Competitive Policy Council, Subcouncil on Workforce Training; 1987-89, State of California Schools Operating Committee; 1981-82, Sunnyvale, CA, Charter Review Committee; and 1980-82, Sunnyvale, CA, Planning Commission.

Political affiliations: Delegate to 1992 Democratic National Convention.

Political Contributions (over \$100)—Revised September 11, 1993

1987	U.S. Senate, Lloyd Bentsen	\$250	Santa Clara County Supervisor, Ron Gonzales	\$500
	Cupertino School Board, Elaine White	100	Cupertino School Board, Steve Chell	100
1988	President, Michael Dukakis	1,000	Democratic Victory Fund	2,000
	Congress, Anna Eshoo	500	California State Assembly, John Vasconcellos	200
	Santa Clara County Supervisor, Ron Gonzales	750	U.S. Senate, Don Bonker	500
	Fremont School Board, Doug Stone	200	Fremont School Board, Nancy Newton	200
1989	Congress, Anna Eshoo	500	Congress, Bob Matsui	500
	California Superintendent of Public Instruction, Bill Hong	1,000		
1990	Californian Governor, Dianne Feinstein	500	Californian Insurance Commissioner, John Garamendi	125
	Santa Clara County Democratic Forum	250	Santa Clara County Supervisor, Mike Honda	250
	Santa Clara County Supervisor, Trixie Johnson	250	Santa Clara County Supervisor, Dianne McKenna	300
	State Board of Equalization, R. Wallack	225		
1991	Presidential Primary, Bill Clinton	2,000	Congress, Anna Eshoo	100
	Congress, Norm Mineta	750	California Assembly, Elaine White	100
	Cupertino School Board, Steve Chell	100		
1992	Democratic National Committee (Presidential Campaign)	4,000	Congress, Anna Eshoo	1,350
	California State Senate, Rebecca Morgan	250	California Assembly, John Vasconcellos	250
	Superior Court Judge, Esau Herrera	100	Fremont School Board, Nancy Newton	125
	Santa Clara County School Board, Andrea Liederman	100		
1993	Congress, Anna Eshoo	200	California Governor, Kathleen Brown	100
	Virginia Governor, Mary Sue Terry	100	CSBA PAC Anti-voucher	100

Memberships: Board Member, San Jose Sports Authority, San Jose, CA; Founding Vice President, Kids in Common, a public-private partnership for kids, San Jose, CA; and Board Member, National Center on Education and the Economy, Rochester, NY.

Honors and awards: Association of California School Administrators, Distinguished Service Award, 1989.

Published writings: "California at the Bottom: Picking Up Public Schools," LA Times Op-Ed, October 30, 1988; "Partners for the Nineties: Business and Education," Educational Horizons, summer 1988, vol. 66, No. 4.

QUESTIONS ASKED BY THE COMMITTEE AND ANSWERS THERETO BY MR. BARRAM

GENERAL

Question. If confirmed, what will be your major objectives and priorities as Deputy Secretary of Commerce?

Answer. If confirmed, my major objectives and priorities would be to support the Administration's strong commitment to fundamental change, help the Department develop a mentality of speed, and assist the Secretary in directing the Department in such a way that we can marshal its full competitive strength.

Question. Please describe the qualifications that you bring to the position of Deputy Secretary of Commerce.

Answer. I believe I come prepared to assume the role of Deputy Secretary in a Department that will surely assume a greater role in rekindling the economic dream of all Americans.

Specifically, I have served as part of senior management at three outstanding American companies—Hewlett-Packard, Silicon Graphics, and Apple Computer. I also had the good fortune to have done this in the midst of Silicon Valley's explosive growth and its emergence as an important player in the global economy.

Through these experiences and others, I have gained a great deal of experience and insight into managing systems and large organizations. As we all seek to reinvent the American government, these skills will be especially valuable.

Question. What do you believe should be the role of the Department of Commerce (DOC) in Administration programs and decisions regarding such areas as business, trade, technology, and the environment?

Answer. President Clinton has made clear his commitment to changing the government's fundamental approach in these areas and making the Department of Commerce a leader in doing so. But this Administration is well aware what complex problems we face and what a high degree of cooperation is necessary. There are many ways these four areas can be given governmental assistance.

In business, we will strengthen our support of export efforts and improve our coordination among agencies. This Administration is also determined to provide tax credits to encourage investment in new plants and equipment; make special loans and grants available to small businesses; and help entrepreneurs by offering tax exclusions to those who take risks.

In trade, we must avoid protectionism, but respond to other nations' unfair trading practices and protect America's interests; favor free trade agreements that are fair to American workers; better utilize the talents at the national laboratories; and, help develop a commitment between business and labor to make world-class products.

In technology, we should encourage investment in a 21st century infrastructure; establish education and training programs for a high-skilled workforce; stimulate industry to provide continuing, high skills training to its workers; and, refocus R&D programs on critical technologies such as advanced materials and new manufacturing processes.

We will balance environmental and development needs. We should also foster the development of new technologies to create systems to recycle, treat toxic waste and clean the air and water; direct funds to the development of new, clean, efficient energy sources; and, encourage the use of fuel sources other than nuclear energy in order to avoid the staggering costs, delays and uncertainties of nuclear waste disposal.

COMPETITIVENESS STRATEGY

Question. DOC has many programs which can help U.S. industry and workers to compete successfully in world markets, including the compilation of economic information, the exercise of trade enforcement authority, export promotion activities, patent operations, and programs to assist industrial technology. How can these programs be best integrated and used to help U.S. companies to improve their competitiveness in international markets?

Answer. I am impressed with the array of policy and program tools, institutional skills and capabilities, and individual expertise and experience available in the Department of Commerce. As your question implies, they are located in different organizations and places, and management action is required to bring together just the right combination for the job to be done. My sense of the situation is that the Department's capabilities can best be harnessed by providing appropriate leadership and policy guidance, specific competitiveness improvement targets and goals, and the motivation to work together to develop integrated approaches to problems.

Commerce, like most large organizations, normally operates vertically, receiving input at the bottom, converting it to product, and sending output back out the top. In this system, things simply don't move from one assembly line to another; they stay on one vertical track. I have heard this referred to as the "stovepipe" method of operation. The Patent and Trademark Office, for example, examines applications to determine whether a patent grant is warranted. That is their main job. Competitiveness concerns are secondary to this primary mission. Similarly, export administration employees focus on examining export license applications and enforcing export laws, not on the competitiveness aspects of what they do. The same can be said for most of our operations.

As an institution, however, we need to learn to do more than one job—to be aware of and concerned with our potential to affect broader goals while still accomplishing our primary mission. Making sure that happens is a management responsibility. As managers, we must provide leadership and policy guidance that will focus our expertise on matters that cut horizontally across organizational missions and responsibilities.

ities. We can set up teams that bring together the knowledge and expertise from various parts of the Department to assemble information, help set new goals, develop policy recommendations and plan program initiatives that will get the goals accomplished.

Question. If confirmed, what role will you play in working with American industry to identify Federal actions, including technology activities, that can boost U.S. industry competitiveness?

Answer. Part of President Clinton's national economic strategy is to make the Department of Commerce a focal point for civilian technology through the close cooperation of business and government. Secretary Brown has stated that economic growth in America is powered by the engine of technological progress. DOC will fulfill its mission to work with industry to create public/private partnerships that will couple governmental assistance with the vigor of the marketplace.

This builds on DOC's extensive contacts with industry via its technology, economic development, trade, manufacturing, and information infrastructure programs. Our nation's preeminence in manufacturing demands an integrated approach: One that addresses the continuum from R&D through manufacturing into the marketplace; one that appreciates that the tangible problems facing American industry today includes financing, business practices, intellectual property protection, and fair trade. But technology is more than machines and markets. It's also people. Our infrastructure must be modernized. Our workforce must have new skills. And I believe that our economic future also depends on a strong and effective Department of Commerce.

If confirmed, I plan to work with industry to forge new partnerships that will help to create new jobs, ensure long-term growth and improve government.

CIVILIAN TECHNOLOGY POLICY

Question. Does the Administration continue to believe that the DOC should be the lead Federal agency for civilian technology policy?

Answer. Yes. This view has been reiterated to the public and to both the Secretary and me, most recently by the President and Vice President last week during a visit to California. Commerce has the experience and connections to U.S. industry which allow it to understand and effectively respond to the barriers to U.S. industrial competitiveness.

SECTOR-SPECIFIC TECHNOLOGY PROJECTS

Question. Recently the Administration and some in Congress have proposed increased industry-government technological cooperation in areas such as clean automobiles and aircraft. If such cooperative projects were pursued, what criteria do you believe DOC officials and others in the Administration should use to judge whether the Federal government should contribute to a sector-specific technology project? More specifically:

—How much cost-sharing should be required of industry?

—What assurances should the Federal Government require regarding the ability of companies to commercialize any new technology developed through such projects?

—Should the Federal Government ask for assurances that resulting products will be substantially manufactured within the United States?

—What trade policies must be in place before a technology project is determined to have a realistic chance of success?

Answer. The criteria to be used in determining if the Federal Government should contribute to sector-specific technology projects are very important. New industries based on new technologies are continually being born, while other industries need to decline and even disappear. Helping existing industries, such as automobiles and aerospace, therefore requires affirmative answers to criteria such as

—the target industry must be important to the economy in terms of domestic value added and jobs

—industry must have made concerted attempts to address the technological problems without success

—government contributions must be of limited duration

—benefiting industries or sectors must agree to certain performance goals (e.g., the clean car initiative)

—willingness of private-sector participants to cost-share an amount in proportion to their financial capacity and their ability to directly capture at least the short-term and intermediate-term benefits of the research

—the establishment of a diffusion/transfer mechanism to ensure that all eligible U.S. firms have access to the resulting technology

Commercialization of the technology resulting from industry-government cooperative research cannot be guaranteed, but the prospects are substantially increased by cost-sharing. When industry commits money, it also alters its strategic plans including investment in plant and equipment, marketing, and follow-on R&D. Such actions greatly enhance the probability of commercialization and subsequent market penetration.

Trade policies are a part of any technology-based economic growth strategy. Major domestic economic growth investments pay off to a greater degree if foreign market access is achieved. Therefore, industry-government cooperation should be undertaken as part of a global competitiveness strategy, which includes opening of foreign markets.

Question. There has been some discussion of using DOC and National Science Foundation (NSF) funds for sector-specific industry-government projects. However, since DOC's Advanced Technology Program and NSF's grant programs can respond only to proposals initiated by applicants and not to projects selected by agency officials, how would you envision the role of these programs in sector-specific technology projects?

Answer. The strengths of the ATP are based in its rigorous competitive process and, most important, that the ideas come from industry, and that industry sets the research priorities. The ATP selection process has been designed to provide a fair and rigorous competition that considers both technical and business merit. We will not deviate from these important concepts.

The challenge now for NIST is to scale the ATP to a major national program while retaining its essential characteristics of objectivity, fairness and efficiency.

With greater resources, the ATP will be able to deepen support in selected, particularly significant areas of technology while continuing to provide an open door to promising ideas from any area of technology.

To achieve maximum impact, the ATP plans to make use in the future of program competitions which will focus on a specific area of technology or a cluster of related technologies. This will allow us to channel significant support to groups of related projects, each attacking a critical element, and reaping the benefits of synergy.

The process of selecting these program areas will be critical to the success of the ATP. We intend to continue our strategy of relying on industry's input to set research priorities. Specific selection criteria will include the potential of the program to contribute to the long-term economic growth of the nation, potential for technical excellence of the proposed research, the degree of industry interest in participating, and the potential for ATP funding to make a major difference.

MANUFACTURING EXTENSION PROGRAMS

Question. By combining funds included in the fiscal year (FY) 1993 defense conversion package and the funds requested for NIST by the Administration for FY 1994, how many Manufacturing Technology Centers, Manufacturing Outreach Centers, and State Technology Extension Program awards would you expect DOC to have in place by the end of FY 1994? What is the Administration's year-by-year schedule for creating the 100 or more centers that the President called for in "A Vision of Change for America"?

Answer. The Technology Reinvestment Project (TRP) competition is currently in the evaluation stage, and any estimates on the type or number of potential awards is not available at this time. However, I have been informed that based on preliminary estimates made before the TRP competition was closed, approximately five new Manufacturing Technology Center-like entities and twenty Manufacturing Outreach Center-like entities are expected to be funded through the TRP. have also been informed that approximately \$5M to \$10M is expected to be used for State-level planning and implementation activities (STEP-like activities).

We expect to reach the President's goal of 100 centers by Fiscal Year 1997 as follows:

	Fiscal year 1995	Fiscal year 1996	Fiscal year 1997
MTC's	17	21	25
MOC's	25	60	75
Total	42	82	100

INDUSTRY-GOVERNMENT ADVISORY COMMITTEES

Question. In your view, what is the most useful way to structure industry-government discussions regarding technology cooperation? Given the requirements of the

Federal Advisory Committee Act for open meetings, how can industry leaders and government officials hold discussions about technology which allow for the protection of proprietary corporate information?

Answer. The Department of Commerce is already constantly interacting with industry on both formal and informal levels through Cooperative Research and Development Agreements (CRADAs), meetings with the Secretary and other Department officials, and a variety of other mechanisms. Because the President has issued an executive order calling for a reduction in the number of non-statutory advisory committees, I believe we should review the need for these committees and the mechanisms under which they operate.

OFFICE OF TECHNOLOGY POLICY

Question. What eventual role and set of activities do you, if confirmed, envision for DOC's Office of Technology Policy (OTP)? For example, on what kinds of policy issues will it focus? Will it become more involved in analyses of foreign technology and foreign industrial policies?

Answer. I expect the Office of the Assistant Secretary of Commerce for Technology Policy (OTP) to continue its critical role in supporting the Department's initiative to harness the Nation's technological resources towards a strengthened pre-eminence in U.S. competitiveness. I believe that our new Under Secretary for Technology, Mary Good, has outlined a strong program for the Office of Technology Policy. As the Department seizes every opportunity to work with the private sector and other government agencies which affect the development and commercialization of technology, and adoption of best manufacturing practices, the Office of Technology Policy will be an integral part of the effort to achieve success.

One of the clear messages that we hear from industry is that our government lacks the "benchmarking" of our nation's own economic base against both foreign competition and potential capacity as a basis for developing policy and allocating resources. The Office of Technology Policy is playing a lead role in responding to this challenge. The technology monitoring and assessment functions included in the National Competitiveness Acts will be a tremendous boost in getting this job done.

Question. In the past Administration, OTP played an important role in international negotiations regarding Japan's Intelligent Manufacturing Systems (IMS) Initiative. Do you envision DOC, and OTP in particular, continuing to play a role in this area, and do you believe that DOC or other entities within the U.S. government should provide matching grants to U.S. industry to help it participate in IMS pilot projects?

Answer. DOC should continue to play a leading role in the IMS Initiative.

OTP played a leading role in the negotiations that established the IMS Feasibility Study in response to the initial Japanese proposal. This study will determine the feasibility of international collaborative R&D in advanced manufacturing and its industrial deployment. Industry is leading the Feasibility Study with academia and government participation from Australia, Canada, the European Community (EC), five European Free Trade Association (EFTA) countries, Japan and the United States. The two year feasibility study consists of: (1) a study of the four critical issues for collaboration (methods of cooperation, intellectual property rights, funding and technical project areas) and (2) R&D test cases to provide experience and information for designing a full ongoing IMS program.

Once the Feasibility Study is completed in January 1994, the international participants will decide whether to recommend a full IMS program, and if so, the form such a program should take. An international management structure of three inter-related (Steering, Technical, and Intellectual Property Rights) committees is conducting the INS Feasibility Study. Each committee is industry led with academia and government members.

OTP will continue to serve as the U.S. Secretariat during the feasibility study and I assume it will maintain a leadership role in all INS activities. I understand that Under Secretary of Technology, Mary Good, has been working closely with our U.S. private sector representatives to IMS since her confirmation.

There are currently six studies and test cases being conducted as part of the Feasibility Study. These projects are Clean Manufacturing in the Process Industries, Global Concurrent Engineering, Globeman21: Enterprise Integration for Global Manufacturing towards the 21st Century, Holonic Control Systems: System Components of Autonomous Modules and their Distributed Control, Rapid Product Development, and Systemization of Functional Knowledge. There are approximately 140 organizations participating in the projects worldwide, and organizations from the United States participating in all six projects. NSF is providing limited funding to some universities participating in the test cases.

The DOC or other entities within the U.S. government should consider leveraging industry funding through a variety of mechanisms. Matching grants will be one mechanism under review to achieve this goal.

FINANCING OF NEW TECHNOLOGIES

Question. There is general agreement that America's technology companies face serious problems in obtaining patient capital. In this regard, there has been much discussion and expression of differing viewpoints on a Congressional proposal to create a new DOC financing program—one model led on the proven Small Business Investment Company (SBIC) program but focused exclusively on the needs of technology firms. How do you view this Congressional proposal? Are there alternative proposals for making patient capital available to technology companies?

Answer. I agree completely with Secretary Brown, who has made it clear that he wants to work with his colleagues in the Administration to make absolutely certain we are not duplicating existing programs or that the problem cannot be alleviated through other means, such as capital gains tax relief for investment in small business or through financial reform aimed at easing the credit crunch. [Regardless of the vehicle that is eventually implemented, I strongly believe, as does the Secretary, that DOC should play a role in oversight and leadership of the program.]

But I would not be candid if I did not observe that in recent days it has become clear that achieving the President's budget goals will not be easy. At this time, a Commerce venture capital program must compete for priority with supporting economic diversification of communities affected by defense reductions, modernizing the Weather Service, facilitating the development of an information superhighway, and building NIST's Advanced Technology Program and Manufacturing Extension Partnership. Its place in these initiatives is still under review.

Question. Since 1988, there has been a fifty percent decline in the annual amount of new venture capital funds. Many entrepreneurial firms that have developed new products have faced increasing difficulty in obtaining capital to expand production. This situation has become an increasingly stark reality in sectors that have been "targeted" by foreign companies. What role should DOC play in encouraging the availability of private capital for the development of new technologies?

Answer. I think DOC can make a contribution in at least four ways. First, we will encourage private sector investment through well-managed programs such as the ATP, through which the Government cost-shares potentially risky technology development projects with individual firms and consortia. Second, through efforts such as the Commerce-Treasury Financing Roundtables, we can bring experts together from the financial and technical worlds to achieve better understanding of the barriers to investment and to devise appropriate strategies. Third, our Technology Administration will be an effective advocate within the Administration for the adoption of tax accounting and investment policies that will promote technology investment. And fourth, we need to double and redouble our efforts to build partnerships between the private sector and our federal laboratory system so as to encourage private sector investment in commercializing taxpayer-funded R&D.

HIGH-PERFORMANCE COMPUTING AND COMMUNICATIONS

Question. What do you believe is an appropriate role for NIST and other parts of DOC in the High-Performance Computing and Communications Initiative and related efforts to help to accelerate the development and deployment of a National Information Infrastructure?

Answer. NIST and NTIA are the two primary DOC organizations involved in the National Information Infrastructure and they have complementary roles.

The NIST program for the NII:

—is targeted at commercial, engineering, and scientific communities because NIST

—has the unique mission to provide infrastructure support of industry (measurements, standards, data focus);

—is recognized for impartial, third-part objectivity throughout its 90-year history of working cooperatively with industry, government, and university for economic growth and development.

The Information Highways of the National Information Infrastructure has three primary elements: hardware, software, and usable information; plus the interoperability that makes them work.

NIST infrastructure support of industry (measurements, standards, data focus) is necessary in each of hardware, software, usable information, and the interoperability of these three elements.

—NIST has special expertise in research, standards development, and metrology to advance manufacturing applications for the NII.

Hardware:

—Performance measurement tools for parallel computers will facilitate use in production by 1) determining performance bottlenecks and 2) improving utilization of the computers.

—Performance measurement tools for communications network will improve the design of efficient networks, underlie standards for high performance network, and verify design goals.

—Protocol design, dynamic behavior of communications protocols, and related performance measurements will support protocol standards development.

Software:

—Lack of access to and knowledge of high quality software currently limits further development of advanced applications using the Information Highways.

—NIST's program will provide immediate access to and distribution of high-caliber software via the information Highway.

—The advanced manufacturing testbeds will permit demonstration and testing of distributed software systems supporting manufacturing and other applications.

Usable Information:

—Testbeds will allow equipment producers to test and improve their products in a real manufacturing environment, and thereby demonstrate their usefulness to manufacturers.

—Information highways are only useful to the extent that the data that moves along them are useful and usable. NIST research and standards development in data storage, collection, exchange and visualization will enable software suppliers to produce and sell software products that will make enterprise integration, concurrent engineering and agile manufacturing a reality.

NTIA has a major policy role as the President's chief advisor on telecommunications policy. If the programs are authorized the NTIA program for the NII:

—will be targeted at noncommercial telecommunications infrastructure (schools, libraries, public health care); and at equipment grants for equipment to establish "connectivity" into the NREN (i.e., on-ramps to the Information Highway).

TRADE AND TECHNOLOGY

Question. To what extent do you believe that there is a close nexus between trade policy and technology policy? As we refine the national technology policy, to what extent should we be focusing on tougher enforcement of U.S. trade laws and other changes in the trade area? Are there any recommendations for change which you would suggest in this area?

Answer. I believe we have a roll range of U.S. trade laws, both to ensure fair trade and to help provide access to foreign markets when needed. Naturally, we need always to ensure full enforcement of U.S. trade laws in a way that best promotes our interests consistent with our international obligations. As I look at our interests in high technology trade, I believe we need to utilize our full leverage, including our trade laws as necessary, to gain greater market access for American products and services.

This is particularly the case in terms of ensuring better protection for intellectual property and breaking down foreign government procurement barriers—notably in such high tech areas as telecommunications, energy production and efficiency products, and computers and other electronic equipment. We need to focus on Asia especially, which is where we have an unusually high proportion both of the problems and opportunities.

NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

Question. Significant concerns have been raised about the impact of the NAFTA on U.S. jobs. Mexico's wages are one-tenth of U.S. wages, yet in some plants in Mexico, productivity is equal to or exceeds that of U.S. plants. Given the disparity in labor costs, how can American manufacturers be encouraged to stay in the United States?

Answer. The fact is, NAFTA actually reduces incentives to move to Mexico. NAFTA removes the high tariff barriers and market distorting regulations that have encouraged U.S. companies that want to sell in Mexico to locate factories there.

Some U.S. companies have established plants in Mexico to avoid paying Mexican tariffs that are 2.5 times higher than U.S. duties. All Mexican tariffs on U.S. products will be zero at the end of NAFTA implementation. As another example, U.S. auto companies have had to produce in Mexico to sell there: 36 percent of their components had to be Mexican, and any vehicles they imported had to be matched 2-to-1 by their exports from Mexico. NAFTA phases out these requirements, paving the way for a major increase in U.S. vehicle and auto parts exports to Mexico.

Wages alone don't determine competitiveness. We export more manufactured goods to low-wage Mexico than to high wage Japan! In fact, our largest manufactures trade surplus in the world is with Mexico—\$7.5 billion last year. Labor productivity, R&D, access to capital, quality of infrastructure—are as, or more, important than wages when it comes to competitiveness.

That is why the authoritative July 1993 study by the Congressional Budget Office (CBO) concluded that NAFTA was a winner for the United States—that it will create jobs for our workers, income for our firms, and lower prices for our consumers.

U.S.-JAPAN TRADE DEFICIT

Question. The U.S. merchandise trade deficit with Japan remains unacceptably high. In 1985, the devaluation of the dollar was supposed to correct the imbalance. After a brief decline, the trade deficit with Japan is approaching \$50 billion. Recently, the yen hit an all time high—110 yen to the dollar. Do you believe that this change will have a significant impact on the U.S. trade deficit with Japan? How should we address this trade deficit?

Answer. After the appreciation of the yen versus the dollar following the "Plaza Accord" in 1986, there was a modest improvement in the U.S. trade deficit with Japan, although it remained unacceptably high. The recent additional appreciation of the yen is likely to have a similar affect on our bilateral trade balance. We are addressing our trade imbalance with Japan through the U.S.—Japan Economic Framework consultations, which are designed to address both macroeconomic and microeconomic factors, including sectoral and structural issues, in an integrated fashion—focusing on the need for results.

At the same time, the high value of the yen makes U.S. products more price competitive in world markets relative to Japanese products. This is particularly important in Asian markets, where Japan is our principal competitor. I believe we should utilize the Trade Promotion Coordinating Committee (TPCC) to assure that we help U.S. firms take advantage of this situation and increase their market share in the rapidly growing Asian markets.

Telecommunications Policy

Question. If confirmed as Deputy Secretary, what will you do to promote the development of the nation's communications infrastructure?

Answer. I will work to ensure that the Commerce Department, working with the Administration through the Information Initiative Task Force (IITF), encourages the development of an interactive, high-speed National Information Infrastructure connecting the nation's businesses, residences, schools, health care facilities and public information providers, as well as private citizens.

Today (September 15), NTIA is releasing an "Agenda for Action" for the National Information Infrastructure. This Agenda describes the role of the government in promoting the development of the telecommunications and information infrastructure by the private sector, and in ensuring that all Americans have access to this infrastructure.

As noted in the Agenda, the Administration will work with Congress to pass legislation by the end of 1994 that will increase competition and ensure universal access in communications markets—particularly those, such as the cable television and local telephone markets, that have been dominated by monopolies. Such legislation will explicitly promote private sector infrastructure investment—both by companies already in the market and those seeking entry.

The Administration's program stresses a government-private sector partnership in which the Federal government promotes development of, and interconnection to, advanced privately-owned networks. The private sector will continue to drive infrastructure deployment in the United States. The private sector currently invests approximately \$50 billion annually in the U.S. telecommunications infrastructure. The Administration does not intend to create a network that competes with private sector communications providers, nor do we plan to become the national network operator or manager.

Government will act as a facilitator of further development of this private sector infrastructure. It will aid basic research and development in telecommunications and information technology, stimulate efficient private sector investment, and pro-

mote interoperability among network providers. The National Information Infrastructure will also integrate multiple private sector firms using a variety of technologies to provide communications and information services to the public. The Administration will not favor any one firm or technology to the exclusion of others.

Most importantly, government will seek to ensure that all Americans have access to the benefits of the National Information Infrastructure. For example, new networks could give rural and inner city schools access to the best instruction on all subjects. Individualized health care could be available on-line, exactly when and where it is most needed, to the benefit of minority groups, the poor, and the disabled. Therefore, the Administration's initiative will fund demonstration projects in which advanced telecommunications and computing capabilities are used to aid traditional social services (such as education and health care) as well as some forms of basic research.

Question. The National Telecommunications and Information Administration (NTIA), within DOC, is the President's principal advisor on communications issues. What role will you, if confirmed, play in developing and shaping DOC telecommunications policy?

Answer. As you indicated, the Assistant Secretary for Communications and Information is, by statute, the President's principal advisor on telecommunications and information policy. In carrying out these responsibilities, the Assistant Secretary reports to the Secretary and Deputy Secretary of Commerce. As Deputy Secretary, I expect to play a significant role in DOC telecommunications policy formulation.

Question. Now that Congress has enacted the "Emerging Telecommunications Technologies Act" which requires the Secretary of Commerce to transfer 200 megahertz of spectrum to the Federal Communications Commission to be made available for new technologies, what steps will you take, if confirmed, to ensure that this legislation is enforced.

Answer. I will take all necessary steps to ensure that NTIA—the Commerce Department agency charged with federal spectrum management—carries out all of the requirements of the Act in a timely fashion. The Act includes strict time requirements that NTIA is working hard to meet.

NTIA must prepare a preliminary report within six months of the bill's enactment to identify the Federal government frequencies to be turned over to the FCC, including 50 megahertz that can be turned over on an expedited basis.

NTIA is holding meetings with other government representatives, through the Interdepartment Radio Advisory Committee, to discuss pertinent issues. NTIA will then present its proposal to the Secretary, who will issue a report to the President, the Congress, and the FCC, after which public comment will be received.

NTIA will also work to meet the other explicit requirements of this legislation on a timely basis in order to finalize the transfer of government spectrum to the FCC. A final report identifying the frequencies for transfer to the FCC is due within 18 months following enactment of the legislation.

GOES WEATHER SATELLITE PROCUREMENT

Question. The National Performance Review (NPR) calls for the establishment of a single civilian operational environmental satellite program under NOAA. However, the GOES-Next weather satellite procurement is now several years behind schedule and hundreds of millions of dollars over budget. In addition, NOAA controllers recently lost contact with a \$67 million polar-orbiting weather satellite launched earlier in the month. As Deputy Secretary, how would you propose to implement the NPR recommendation? What steps would you take to get this program back on track and to ensure accountability? Given your experience in the private sector, what changes in the Federal procurement system would you propose to minimize future weather satellite problems?

Answer. NOAA currently has two operational satellite systems, the polar orbiting operational environmental satellite (POES) and the geostationary operational environmental satellite (GOES). It is true that the GOES system experienced substantial cost overruns and lengthy delays in its development phase, but, the first satellite in the new GOES series, GOES-I, is now scheduled to be launched in mid-1994.

NOAA is currently studying, with NASA and DOD, options for the most cost-effective national polar-orbiting system. We are optimistic that the results of the study will bring together a system that will meet the nation's operational requirements. Recommendations from this study will be available by the end of 1993.

While the NOAA polar program recently suffered a setback because of the apparent failure related to a short in the power system, this program has been highly successful in meeting the operational environmental requirements of the nation over

the past 30 years. NOAA and NASA are jointly reviewing all aspects of the problem to ascertain the cause of the failure and to determine an appropriate course of action.

NOAA satellites are presently procured through NASA utilizing their expertise in spacecraft system acquisition. Future weather satellite problems may be diminished through greater risk sharing between the spacecraft contractor and the Federal government, and by establishing higher levels of in-orbit incentive payments.

NOAA TECHNOLOGY AND COMPETITIVENESS

Question. In recent years, NOAA has embarked on a \$5 billion investment to launch new satellites, upgrade national weather forecasting systems, and replace an aging oceanographic fleet. At the same time, other parts of DOC have initiated programs to encourage U.S. technology and competitiveness. What suggestions do you have for linking NOAA technology investments to broader DOC goals? What role would you propose for NOAA in the new Administration's national technology policy?

Answer. The President has assigned Secretary Brown the responsibility to lead the Administration's development and implementation of a Technology Policy. NOAA, as a major center of science and of technology development, is an important partner in this with other Commerce bureaus, other parts of the federal government and the private sector. NOAA's role is to be a demand driver and to foster relationships. NOAA brings an understanding of the environment and sophisticated measuring technology to this effort. Each of NOAA's capital investments represents a business opportunity for U.S. firms. In particular, NOAA's weather and hydrology observing technologies should find ready markets in numerous countries faced with natural hazards similar to our own. For example, NOAA is working with Taiwan to effect a sale of NEXRAD weather radar technology. NOAA's help in this important area will greatly improve the foreign market climate for other U.S. technologies. In addition, NOAA, NIST, and ITA are working on a joint program in Environmental Technology.

NOAA PRIORITIES

Question. Within the next few months, NOAA will be required to address a variety of contentious issues, including budgetary shortfalls, reauthorization of major fishery harvests in some states, major reductions in fishery harvests in some regions of the country, and enforcement of international environmental agreements like the International Whaling Convention. What do you see as your role in making decisions in these critical areas? What do you believe should be NOAA's priorities?

Answer. My role will be to assist the Secretary in carrying out his responsibilities. We will work to ensure we have adequate resources to carry out the Department's mission, that our programs are well thought out and coordinated and that they are implemented in an efficient manner. We intend to integrate our environmental stewardship responsibilities with those for sustainable development of our Nation's economy. We will demand balanced, informed decision-making.

NOAA's mission is many faceted. I attach the highest priority to its legally mandated programs, particularly those which are critical for stewardship of marine resources and support of the national well-being of our citizens and their commerce.

Question. In 1969, the Stratton Commission released its final report, which contained national ocean policy recommendations that led to the creation of NOAA and to the establishment of many NOAA programs, such as coastal zone management. Given the fundamental changes of the past twenty-four years, as well as the shrinking portion of NOAA's budget devoted to marine programs, what is your view with respect to reexamining U.S. oceans policy? If confirmed, what steps will you take to put the "O" (for oceanic) back in NOAA?

Answer. NOAA has a significant number of programs to deal with ocean policy issues, including resource protection, monitoring, research, and prediction. The question suggests that, in the past, NOAA may not have done as good a job as it should on merging these responsibilities to address the Nation's ocean policy needs. NOAA is now developing a more comprehensive approach to its coastal and ocean programs through its strategic planning process. These programs make up the Environmental Stewardship thrust of N NOAA's programmatic strategy for the next 10 years and will contribute to the Department's goals in stewardship. By having such a coordinated and comprehensive ocean/coastal program, NOAA will be able to contribute significantly to the development of a national ocean policy. The Commerce Department cannot meet its goal of increasing economic growth unless we have sound management of our natural resources, including our valuable marine resources.

Senator FORD. Thank you very much. I only have probably one question that I would like to ask. And we will go from there.

Since 1988 there has been a 50-percent decline in annual income of new venture capital funds. Many entrepreneurial firms that have developed new products have faced increasing difficulty in obtaining capital to expand production. This situation has become an increasingly start reality in sectors that have been—I use the word “targeted,” I guess, by foreign companies. What role should the Department of Commerce play in encouraging the availability of private capital for the development of new technologies?

Mr. BARRAM. Well, I think certainly one thing that we can continue doing is pushing for capital gains, tax differentials—we are convinced that that works.

The R&D tax credit which the administration has managed to get extended for a couple of years with the support of Congress is very important.

Those are kind of the macro issues.

I think there are some more specific targeted things that we can do in the Department. We can push for the kind of partnerships between the public and the private sector that bring together some money, some resources from the Federal Government with the private organization who has the idea and the resources to work on it but maybe needs some help. If we do that we can—the other benefit of that, it allows us to get these things commercialized faster.

So, there is a lot we can do, but it takes—it is like a lot of things I think that we are seeing in 1993. It takes a balanced approach, there are not too many sound bytes in the middle, and it just takes a lot of work while we try to make all these things so that we do not end up being ahead of the industry and yet we do not end up slowing industry down.

Senator FORD. Thank you. I have no further questions. Senator Pressler has arrived. Senator, do you have any questions you wish to ask?

Senator PRESSLER. I have just one question I will ask here, and then I will ask my other questions on the record. I noted that you have some background in small business, and there is a proposal to create a critical technology investment company, CTIC program, which as I understand would be administered over there in Commerce. Small Business has had the Small Business Investment Company Program. Some have said that the SBA’s SBIC program and the Commerce Department’s CTIC program will duplicate. What is your view of that?

Mr. BARRAM. Senator, I am not familiar with the CTIC program, and I will certainly get back to you on that.

Senator PRESSLER. You can answer the question for the record, and I have several questions for the record I would like to place in the record, Mr. Chairman.

Senator FORD. So ordered.

I am sure Mr. Barram will answer those in an expedited manner.

Mr. BARRAM. Absolutely.

Senator FORD. If there are no further questions, we are delighted to see you and look forward to your confirmation. Other members of the committee may have questions for this nominee and your response, and so we hope that they will be given quickly and answers

can be expedited and that we can move quickly to your confirmation.

Mr. BARRAM. Thank you, Mr. Chairman.

Senator FORD. We thank you this morning. I think your predecessors here at the table helped you a great deal this morning.

Mr. BARRAM. Thank you. I am really sorry my family was not here to hear that.

Senator FORD. Well, my daddy would like it. My mother would believe it. That is kind of the way it goes. [Laughter.]

Thank you very much.

Next, we would like to have Steve Palmer, who will be—his confirmation hearing to be Assistant Secretary of Transportation for Government Affairs. Steve, we are delighted to see you this morning. I have a statement for the record in relation to Steve's nomination.

I want to commend Secretary Peña for looking within our committees for a point person at the Department of Transportation in this critical role as communicator with Congress, and I see this appointment as yet another clear signal that the Secretary is dedicated to working with Congress and keeping his lines of communications open, and I would ask unanimous consent that the balance of my statement be included in the record as if given.

[The prepared statement of Senator Ford follows:]

PREPARED STATEMENT OF SENATOR FORD

Mr. Chairman, you and I know that the staff on our committees put in long hours and often don't get much recognition for all the behind-the-scenes work they do. But, an occasion like this serves as an opportunity for members like myself to say for the record, that their hard work didn't go unnoticed.

I don't need to introduce Steve Palmer to this committee, because his hard work is well-known to members. And I feel certain there is no doubt in any of your minds that he's qualified for the position of Assistant Secretary of Transportation for Government Affairs.

I commend Secretary Peña for looking within our committee for a point person at the Department of Transportation in this critical role as communicator with Congress. I see this appointment as yet another clear signal that the Secretary is dedicated to working with Congress and keeping the lines of communication open.

Steve's resume speaks for itself—from the legislative work he's done for us to his trouble shooting work with state and local governments and the private sector. I believe these skills will serve him well in his new job.

And equally important, Steve will bring with him the commitment to family and community that he holds close and cannot be summed up on a résumé.

So, it is with my full confidence add pleasure that I participate in this confirmation hearing to recommend Steve Palmer and look forward to working with Steve in his new capacity.

Senator FORD. Steve, I understand you might have some family here that you are proud of and you would like to maybe introduce, and then we would be very pleased to have your opening statement.

STATEMENT OF STEVEN O. PALMER, ASSISTANT SECRETARY-DESIGNATE FOR GOVERNMENTAL AFFAIRS, DEPARTMENT OF TRANSPORTATION

Mr. PALMER. Thank you, Mr. Chairman. I would like to do that. I would like to introduce my family members and ask your consent that this statement be included in the record, and I will try to briefly summarize it.

First, I am fortunate and pleased that my parents were able to join me today, Richard Palmer and Beverly Palmer, who flew in last night from Detroit, as well as my wife Bo Palmer and my two daughters, Kristin, who is 4½ years old, and Lindsay, who is 2.

Senator FORD. That one is going to be a politician back there, Steve. [Laughter.]

Of course, I understand grandchildren, with five and growing.

Mr. PALMER. Mr. Chairman, I want to thank you for scheduling this hearing as quickly as you did and thank the committee as well for holding it today. It is indeed an honor to be sitting on this side of the table after having served on the staff of the Commerce Committee for the past 10 years. Needless to say, I have great respect for you, the other members of the committee, and the staff of the Commerce Committee. In total, I believe it is one of the finest committees and most respected in the Congress.

I also would like to thank you, Senator Ford, for your kind comments, as well as Senator Daschle's comments this morning introducing me to the committee.

It is a great honor and privilege to have been nominated for the position of Assistant Secretary for Governmental Affairs at the Department of Transportation by President Clinton. I sincerely appreciate the confidence and trust that he and Secretary Peña have placed in me in recommending me for this position. If confirmed, I will welcome the opportunity to serve them both as a part of this administration.

During his confirmation hearing earlier this year, Secretary Peña outlined the priorities for DOT, which included an absolute commitment to ensuring transportation safety, to the importance of investing in our transportation infrastructure, and to preserving the financial health and competitiveness of the U.S. transportation industries. I share those goals, and if confirmed will work with him and with you in pressing for adoption of the Department of Transportation's policies and positions.

Under the leadership of Secretary Peña this year the Department of Transportation is undertaking initiatives in developing a national system of high-speed rail corridors, implementing the landmark Intermodal Surface Transportation Efficiency Act of 1991, preserving the strength of the U.S. Coast Guard and our merchant marine, and working to increase the safety and efficiency of our Nation's air transportation system. I share the Secretary's commitment to these important objectives and am committed to seeing them accomplished.

Of course, there is much more that DOT must do, and I pledge to you my best efforts to work with the Congress as well as State and local governments to address the issues that face our national transportation systems. My experience in the Senate has provided me with a keen appreciation of the difficult task facing you and other Members of Congress. Please be assured that I will make every effort to ensure timely and effective communication between the Department and the Congress on the many transportation issues that confront this Nation.

I am sensitive to the importance of keeping the Congress informed of actions taken by the Department, and will do my best to convey the interests and concerns expressed in the Congress to

Secretary Peña and his staff as policy proposals are being developed.

Mr. Chairman, before concluding I would like to personally thank you for the opportunity of having worked with you and Senator Hollings for the last 10 years on the Commerce Committee staff. I consider myself very fortunate to have served as staff to you and other congressional leaders in the areas of transportation and science and technology, and without your help and support, and that of Senator Hollings and many others, I would not have the opportunity to be here today.

Again, thank you for your consideration of my nomination, and I will be pleased to attempt to answer any questions you might have at this time.

[The prepared statement, biographical data, and prehearing questions and answers of Mr. Palmer follow:]

PREPARED STATEMENT OF STEVEN O. PALMER

Mr. Chairman, I want to begin by thanking you for your efforts, as well as those of the Committee, in scheduling this hearing. It is indeed an honor to be sitting on this side of the table talking with you, Mr. Chairman and the other members of the Commerce Committee, after having served for more than ten years on the Committee staff. Needless to say, I have great respect for you, the members, and the staff of the Commerce Committee, which in total, make it one of the most widely respected in the Congress.

It is a great honor and privilege to have been nominated for the position of Assistant Secretary for Governmental Affairs at the Department of Transportation by President Clinton. I sincerely appreciate the confidence and trust that Secretary Peña has placed in me in recommending me for this position. If confirmed, I will welcome the opportunity to serve them as a part of this Administration.

During his confirmation hearing earlier this year, Secretary Peña outlined his priorities for the Department of Transportation, which included an absolute commitment to ensuring transportation safety, to the importance of investing in our transportation infrastructure in order to strengthen our economic well-being, and to preserving the financial health and competitiveness of the U.S. transportation industry. I share those goals and, if confirmed, will work with him in pressing for adoption of the Department of Transportation's policies and positions by the Congress.

Under the leadership of Secretary Peña, the Department of Transportation is undertaking initiatives in developing a national system of High Speed Rail corridors, implementing the landmark Intermodal Surface Transportation Efficiency Act of 1991, preserving the strength of the United States Coast Guard and our merchant marine, and working to increase the safety and efficiency of our nation's air transportation system. I share the Secretary's commitment to these important initiatives and am committed to seeing them accomplished.

Of course, there is much more that the Department of Transportation must do and I pledge to you my best efforts to work with the Congress, as well as state and local governments, to address the issues that face our national transportation systems. My experience in the Senate has provided me with a keen appreciation of the difficult tasks facing Members of Congress. Please be assured that I will make every effort to ensure timely and effective communication between the Department and the Congress on the many transportation issues of concern to the Congress and the Executive branch. I am sensitive to the importance of keeping the Congress informed of actions taken by the Department of Transportation and will do my best to convey the interests and concerns expressed by you and other Members of Congress to Secretary Peña and his staff as policy proposals are being developed.

As a former Mayor, Secretary Peña has conveyed his strong desire to work closely with state and local governments. Having worked with state and local government officials in both developing and implementing transportation policies, I understand the importance of maintaining close contact between Washington and the nation's Governors, Mayors, and other local public officials.

Mr. Chairman, before concluding, I would like to personally thank you for the opportunity to have worked with you for the last eleven and one-half years. I consider myself very fortunate to have served as staff to you and other congressional leaders

in the fields of transportation and science and technology. Without your support and help, I would not have the opportunity to be here today.

Thank you for your consideration of my nomination. I will be happy to answer any questions that you might have at this time.

BIOGRAPHICAL DATA

Name: Palmer, Steven Otto; address: 2528A S. Arlington Mill Dr., Arlington, VA 22206; business address: 400 Seventh Street, S.W., Room 10408, Washington, DC 20590.

Position to which nominated: Assistant Secretary of Governmental Affairs; date of nomination: September 7, 1993.

Date of birth: February 1, 1956; place of birth: Bowdle, SD.

Marital status: Married; full name of spouse: Laurel Beach Palmer; names and ages of children: Kristin, 4; and Lindsay, 2.

Education: Kalamazoo College, 1974-78, BA; and Lyndon B. Johnson School of Public Affairs, University of Texas at Austin, 1978-80, MPA.

Employment: 8/93-present, U.S. Department of Transportation, Special Advisor to the Secretary; 1/83-8/93, U.S. Senate, Committee on Commerce, Senior Professional Staff Member; 4/82-1/83, U.S. Senate, Committee on the Budget, Budget Analyst; and 6/80-4/82, U.S. Department of Transportation, Presidential Management Intern.

Government experience: Special Advisor to the Secretary, U.S. Department of Transportation, 8/93 to Present; Senior Professional Staff Member, U.S. Senate, Committee on Commerce, Science, and Transportation, 1/83 to 8/93; Budget Analyst, U.S. Senate, Committee on the Budget, 4/82 to 1/83; Presidential Management Intern, U.S. Department of Transportation, 6/80 to 4/82; and Research Assistant, Office of the Governor of Texas, Texas Energy and Natural Resources Advisory Council, 9/79 to 3/80.

Political affiliations: Precinct Representative, Arlington County Democratic Party; 1982-84.

1983	Democratic Senatorial Campaign Committee	\$51
1984	Arlington County Democratic Party	128
	John Milliken (Arlington County Board)	35
	Harris Miller for Congress	45
1985	Arlington County Democrat Party	60
	Tom Daschle	100
	Ellen Bozman (Arlington County Board)	10
1986	Tom Daschle	150
	John Milliken for Congress	25
	Arlington County Democratic Party	30
1987	Al Eisenberg (Arlington County Board)	25
	Al Newman (Arlington County Board)	25
	Jim Almand (Virginia House of Delegates)	25
	Ed Holland (Viginia Senate)	25
1988	Dukakis for President	100
	Charles Robb for Senate	100
	Democratic National Committee	185
	Virginia Democratic Party	170
	John Milliken (Arlington County Board)	25
	Bob Weinberg for Congress	25
1989	Doug Wilder for Governor	75
	Democratic National Committee	50
	Ellen Bozman (Arlington County Board)	25
	Virginia Democratic Party	20
1990	Democratic Senatorial Campaign Committee	50
	Democratic National Committee	50
	Virginia Democratic Party	50
	South Dakota Democratic Party	25
	Arlington County Democratic Party	25
	Mary Margaret Whipple (Arlington County Board)	25
1991	Democratic National Committee	10
1992	Arlington County Democratic Party	25
	Democratic National Committee	100
1993	Democratic Senatorial Campaign Committee	35
	Democratic National Committee	50
	Mike Fernandez (Rochester, NY School Board)	25

Memberships: Women's Transportation Seminar, 1981-84; and Transportation Research Forum, 1983.

Honors and awards: Student research paper award from Transportation Research Forum; awarded in 1981.

Published writings: "Railroad Revenue Adequacy: The Movement of Captive Western Coal," in Transportation Research Forum Proceedings, vol. XXI, No. 1 (Transportation Research Forum, 1980); "Analysis of Alternatives for Western Coal," Appendices A and B in The Economic Regulation of Western Coal Transportation, Policy Research Project No. 38, directed by Dr. Leigh Boske (Lyndon B. Johnson School of Public Affairs, 1980); and "Energy Tax Act of 1978," in Texas Energy Issues, 1979, Policy Research Project No. 36, directed by Dr. Stephen Spurr (Lyndon B. Johnson School of Public Affairs, 1979).

PREHEARING QUESTIONS ASKED BY THE COMMITTEE AND ANSWERS THERETO BY MR. PALMER

Question. What do you believe are your qualifications to be Assistant Secretary?

Answer. For more than eleven years, I served on the staff of two Senate Committees, working on transportation policy issues of interest to the Congress. During my career, which also includes service at Department of Transportation (DOT), the Office of Management and Budget, and the Office of the Governor of Texas, I have worked on a wide array of transportation issues, budgets, and policies, notably in the areas of aviation, highways, maritime, rail, and transit. This experience has provided me with a thorough understanding of the legislative process and the importance of ensuring a close working relationship between the Congress and the Department of Transportation. Finally, having worked closely with States and localities, I understand the importance of ensuring open and effective communication with all levels of government to ensure that Federal programs serve the needs of the public.

Question. What will be your specific duties if confirmed as Assistant Secretary? What do you believe are the most significant professional skills you would bring to this position?

Answer. If confirmed as Assistant Secretary for Governmental Affairs, my responsibilities would be to serve as the Department of Transportation's principal advisor on Congressional, Intergovernmental, and Consumer concerns. In attempting to accomplish this, it would be my responsibility to supervise and coordinate all Departmental relationships with the Congress, direct the presentation of DOT's legislative program, and advise other elements of the Department of Transportation on congressional and intergovernmental matters. As Assistant Secretary, it also would be my responsibility to maintain liaison with State and local elected officials and with State planning officials regarding transportation matters.

The Assistant Secretary for Governmental Affairs at the Department of Transportation must have a strong understanding of the legislative process, both in gaining enactment of legislation, as well as its implementation at the State and local level. Having served as staff to the Senate Committee on Commerce, Science, and Transportation for more than ten years, as well as Transportation Analyst on the Senate Budget Committee, I have worked in virtually all areas of transportation. During this time, I gained a thorough understanding of the congressional authorizing and appropriating processes, worked with senior congressional leaders, as well as State and local officials, and became familiar with a variety of transportation issues. The combination of these skills will help ensure my success, as well as the success of the Department in accomplishing its legislative agenda.

Question. How would you assess the state of relations between the Department of Transportation and the Congress? Do you have any suggestions for improving DOT's relations with Congress?

Answer. Historically, the Department of Transportation and the Congress have had excellent working relations. The programs administered by the Department are the type that receive strong bipartisan support in the Congress. As a result, DOT and the Congress typically work toward the same objective, that being the development and operation of transportation systems that afford quality service to the greatest number of people in a cost-effective manner.

In my brief tenure as a Special Advisor to the Secretary, it has become apparent that the Department of Transportation must work more closely with the Congress than it has in recent months. If confirmed, my first priorities will be to work toward strengthening the lines of communication between DOT and the Congress. It is important that Members of Congress and their staff understand actions taken by the Secretary and other policy makers. In addition, I will do all I can to quickly respond

to congressional inquires and requests. Given my background in the Senate, I am aware of the importance of timely response to congressional mail and telephone calls.

Question. If confirmed, what would be your first actions in your new positions? What would be your priorities? Would you change anything in the existing Congressional office?

Answer. If confirmed, my first priorities will be to complete efforts to hire staff capable of ensuring consistent and effective communication with the Congress. This is an essential element of my commitment to advancing Secretary Peña's initiatives and policies, as well as those of the President. Just as importantly, these staff must be added so that the Office of Congressional Affairs can respond in a timely manner to congressional requests and inquires.

The priorities of the Assistant Secretary for Governmental Affairs will be to work toward successful enactment of the transportation priorities established by President Clinton and Secretary Peña. Toward that end, in his confirmation hearings earlier this year, Secretary Peña outlined his priorities for DOT, which included an absolute commitment to ensuring transportation safety, to the importance of investing in our infrastructure in order to strengthen our economic well-beings and to preserving the financial health and competitiveness of U.S. transportation industries. I share those goals.

I have no plans to change the existing Office of Congressional Affairs. I intend to work closely with the incoming Office Director to improve the effectiveness of the Department's liaison with the Congress.

Question. In your view, what is the appropriate mission and scope of responsibility to be undertaken by the Assistant Secretary for Governmental Affairs?

Answer. The mission and scope of responsibility for the Office of the Assistant Secretary for Governmental Affairs appropriately includes congressional, intergovernmental, and consumer affairs which are to be coordinated in support of the President and the Secretary of Transportation.

Question. If confirmed as Assistant Secretary, what legislative or policy efforts would you recommend that the Secretary of Transportation initiate or continue?

Answer. I believe that in his first year, Secretary Peña has identified an appropriate agenda for the Department of Transportation. Under his leadership, DOT is undertaking initiatives in developing a national system of High Speed Rail corridors, implementing the landmark Intermodal Surface Transportation Efficiency Act of 1991, preserving the strength of the United States Coast Guard and our merchant marine, and working to increase the safety and efficiency of our Nation's air transportation system. If confirmed, I intend to work closely with Secretary Peña to ensure that the interests and concerns of the Congress are incorporated into these and future legislative and policy initiatives.

Question. If confirmed, you will be responsible for answering Congressional requests for information from DOT. What is your position on disclosure of agency information to Congress?

Answer. Understanding the importance of timely transmittal of Department of Transportation actions, I will do my best to ensure that appropriate documents and information are provided to the Congress in an expeditious manner.

Senator FORD. Thank you very much, Steve. We all know you personally. We know your character, and we know your integrity. And having given you my wholehearted support and endorsement on the record, I think it would just be foolish if I started asking you questions this morning because I know all the answers. [Laughter.]

Mr. PALMER. Thank you, Mr. Chairman.

Senator FORD. I would yield to my colleague from South Dakota if you have any questions.

Senator PRESSLER. Well, I do have some questions. I congratulate you. We are very proud of you. We look forward to working with you. I have some questions on essential air service and on the National Commission to Ensure a Strong Competitive Airline Industry Report and some other infrastructure questions. I will place them in the record, and I wish you well.

Mr. PALMER. Thank you very much.

Senator FORD. On the National Airline Commission Report, we are going to hold hearings as soon as we possibly can on that. But I think it would be we should have a hearing where the administration can come, and since they have not come forward with their conclusions on that yet, but they should soon, I look forward in the next 2 or 3 weeks to having a hearing and a very thorough hearing, and we look forward to the Department of Transportation giving testimony.

Since there are no questions and you seem to be on your way to being a member of the executive now instead of the legislative branch, we look forward to the connection, Steve.

This hearing is adjourned.

[Whereupon, at 11:50 a.m., the hearing was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR PRESSLER

Mr. Chairman, thank you for holding this hearing today on the nominations of David J. Barram to be Deputy Secretary of Commerce and Steve Palmer to be Assistant Secretary for Legislative Affairs for the Department of Transportation. I join my colleagues in welcoming our distinguished guests.

QUESTIONS ASKED BY SENATOR BURNS AND ANSWERS THERETO BY MR. BARRAM

Question. I believe that a very important, but overlooked issue is the government's role in establishing standards and protocols for information and telecommunications network interconnection and interoperability. What is your view? Isn't this especially important as we move to a communications world in which we have multiple providers of facilities and services?

Answer. I think this question gets at the heart of the matter. We can make a huge contribution to the progress of the National information Infrastructure if we do a good job on the standards issue. I strongly support the Administration's Agenda for Action for the National Information Infrastructure, released on September 15, 1993, which states that standards for voice, video, data, and multi-media services must be developed to ensure interoperability and openness of the information infrastructure. I also believe that the federal government should participate more actively in current industry-driven standards-setting processes and work vigorously with industry to overcome technical barriers to interoperability as they are identified. If we do a good job of winding our way toward a balanced posture on standards, we can help ensure that everyone gets to compete and that we don't stifle innovation.

If confirmed as Deputy secretary of Commerce, I look forward to working with Commerce's National Institute of Standards and Technology and the National Telecommunications and Information Administration in reviewing the government's role in establishing the necessary network standards to promote the seamless operation of the information infrastructure.

Question. I believe it's time to change our national telecommunications policy in a comprehensive, holistic way. Do you agree? What changes would you suggest? For instance, do you favor repeal or modification of the cable-telco and MFJ restrictions? Do you favor opening up the local telephone exchange to greater competition? How do you view those issues working in tandem—that is, do you favor a framework as proposed by Ameritech which would result in the opening of the local telephone exchange to competition and in return giving telephone companies relief from cable-telco and MFJ restrictions, among other elements?

Answer. I agree that the time is ripe to overhaul U.S. telecommunications policy. Advances in telecommunications and computer technology are motivating firms to compete in new markets and provide new services. At the same time, end users are demanding less expensive and more sophisticated services. U.S. policy must keep pace with these technical and market changes. I believe that government has a double responsibility—to secure the benefits that can flow from increased competition in this industry and to protect consumers while doing so.

As you point out, numerous specific rules and regulations govern the telecommunications industry. While I do not now have a position on specific changes to those rules, if confirmed I will help the Administration follow through on its commitment in the Agenda For Action on the NII to work with Congress to pass legislation by the end of 1994 to increase competition and ensure universal access in communications markets—especially those, such as the cable television and local telephone markets, that have been dominated by monopolies.

Question. It is my opinion that government should not be in the business of building, operating or managing information and telecommunications networks in com-

petition with those networks available in the commercial, private sector. What is your view? What is the appropriate role for the government?

Answer. I agree with you. The private sector, not government, should lead in the deployment of the communications information infrastructure in the future. Government action should complement and enhance the public benefits of that private activity. I strongly support the Administration's specific goals for government action discussed in the Agenda for Action, which begin by emphasizing the need to promote private sector investment in the information infrastructure. I also support the Administration's commitment to forge a partnership with business, labor, the academic community, and the public to make an advanced information infrastructure accessible to all Americans.

QUESTIONS ASKED BY SENATOR PRESSLER AND ANSWERS THERETO BY MR. BARRAM

Question. If confirmed, you will have a major role in shaping our nation's plan for economic growth and global competitiveness. For decades, our nation's technology policy was driven predominantly by Cold War realities. Now the United States has emerged as the world's one and only superpower. It is time for our technology policy to adapt to these changing political realities for a different kind of contest, one involving economic and commercial superiority. What are your priorities in setting this agenda?

Answer. My first priority is to fulfill the mission given to the Department of Commerce by President Clinton, and make the Department a focal point for civilian technology through close cooperation between business and government. Secretary Brown has stated that economic growth in America is powered by the engine of technological progress, and DOC will fulfill its mission to work with industry to create public/private partnerships that will couple governmental assistance with the vigor of the marketplace.

The post-cold war world also demands that we adapt our trade policy toward achieving economic and commercial superiority. We have a full range of U.S. trade laws, both to ensure fair trade and to help provide access to foreign markets when needed. As I look at our interests in technology policy, and particularly the commercialization of new products, I believe we need to utilize our full leverage, including our trade laws as necessary to gain greater market access for American products and services. This is particularly the case in terms of ensuring better protection for intellectual-property and breaking down foreign government procurement barriers—notably in such high tech areas as telecommunications, energy production and efficiency products, and computers and other electronic equipment.

Question. Secretary Ron Brown plans to transform the Department of Commerce into the lead civilian technology agency. Through expanding the programs of the National Institute of Standards and Technology (NIST), the Administration seeks to spur industrial innovation. You have spent your career in the private sector working for some of the most innovative high-tech firms (Hewlett-Packard, Silicon Graphics, Apple Computer). What insights has your background given you about the government's role in stimulating innovation?

Answer. The globalization of our economy means that if we are to compete and be successful, we must forge partnerships. Our competitors are doing it, and we must refocus our relationships—government, industry, academia—toward this new reality. Government can be a partner in enhancing our competitiveness through a variety of mechanisms: trade policy and law, technology commercialization and the refocus of our federal R&D programs and worker skill training.

By focusing on these broader issues, an environment for innovation is created. In addition, from my own private sector background, government also needs to focus on the array of finance, tax, and regulatory issues that, if changed, could enhance our innovation and entrepreneurial culture so as to promote economic growth and create jobs.

Question. In your experience, have Department of Commerce programs helped industry?

Answer. Yes. The Department of Commerce has many programs which can and are helping U.S. industry and workers to compete successfully—including the compilation of critical economic information, the exercise of trade enforcement authority, export promotion activities, patent and trademark protection, economic development financing, and programs to assist industrial technology.

Question. Some people criticize the government's attempt to fund civilian technology as "industrial policy." Everyone claims the government should avoid picking winners and losers. In your opinion, what is the best way to enhance technological competitiveness without distorting marketplace forces?

Answer. At the heart of the Clinton Administration's technology policy is a public-private partnership to achieve competitiveness, economic growth and create jobs. By working directly with the private sector, through jointly identified, cost-shared projects, the Department avoids the useless and unproductive debate about picking winners and losers.

Question. I know you have been involved in small businesses during your private sector career and that you understand the importance of venture capital—especially to high technology companies. Indeed, Apple Computer, for which you worked, received earlystage financing through the Small Business Administration's Small Business Investment Company (SBIC) program.

As you may know, some members of Congress and the Administration advocate the creation of a new program within the Department of Commerce—the Critical Technology Investment Companies (CTIC) program. The National Competitiveness Act of 1993, 5.4, as part of its efforts to improve our nation's development and marketing of critical technologies, would create a CTIC pilot program.

1) Are you familiar with the SBA's SBIC program and the role it played in providing early-stage financing for such high-tech success stories such as Apple Computer, Intel Corporation, Cray Research and Compaq?

2) Do you see a definable role for CTIC's that would not duplicate the existing 35-year-old SBIC program—a program that last year saw 25 percent of its total financing go to "advanced technology" companies?

3) If you support a CTIC program within the Commerce Department, how would you defend against the charge that this new program would represent duplication in government services at a time in which many in Washington are focusing on streamlining the federal government?

4) As you also may know, S. 4 contains no limit on the size of companies that can receive assistance under the CTIC program. Given the current scarcity of federal resources, does it make sense for the federal government to be providing venture capital assistance to Fortune 500 companies, or should our efforts be tailored more toward smaller companies that often produce good ideas, but historically have been shut out of traditional venture capital markets?

Answer. 1) I am aware of the SBIC Program and understand that a portion of its financing assistance has gone to high-technology companies.

2) and 3) I have been told that we are working with the Small Business Administration to determine whether it is advisable and feasible, without duplicating existing SBA programs, to create a joint program that would specifically target companies working in the areas of critical technologies.

4) I have been informed that the current version of S. 4 gives preference to eligible technology firms whose net worth is \$50 million or less. I am also informed that one of the points on which SBA and DOC have agreed in informal discussions is that any program should target small and midsize companies and appropriate joint ventures.

QUESTION ASKED BY SENATOR DANFORTH AND ANSWER THERETO BY MR. PALMER

Question. Federal Emergency Management Agency (FEMA) disaster/emergency funds can be used only for clean up costs, not capital programs. What has the Federal Aviation Administration (FAA) done to coordinate with FEMA to make available adequate clean up money for public-use airports affected by the midwest floods?

Answer. The FAA has met with FEMA to coordinate clean up and applicable assistance programs so that they are readily available to airport owners. Various other organizations also have played a key role in this effort, including the Small Business Administration and the State aviation agencies in affected areas.

In addition, the FAA has sent letters explaining the FEMA and related assistance programs to each airport which reported that a portion of its facility was affected by flood waters. Beyond that, several airports have requested that the FAA assist in assessing flood damage or evaluation of financing options.

The FAA has advised me that it anticipates funding under the Airport Improvement Program (AIP) will be available to support reconstruction of airports in the National Plan of Integrated Airport Systems. For its part, FEMA is to fund clean up on publicuse facilities owned by a public agency which are ineligible under the AIP, such as hanger and general aviation terminal buildings.

QUESTIONS ASKED BY SENATOR PRESSLER AND ANSWERS THERETO BY MR. PALMER

Question. What are your views on the Committee hearing process? Do you believe Committee hearings are a necessary medium for the Senate to address important



and technical matters in efforts to develop sound legislative policies? More specifically, do you think subcommittee hearings provide needed insight into important issues for which a subcommittee has jurisdiction, such as initiatives to enhance aviation safety?

Answer. An important element of any legislative or oversight activity conducted by the Congress is the receipt of information, whether it be through hearings, briefings by government officials, consultation with interested industry, labor, and public interest groups, or constituent mail. Having served as staff to the Senate Committee on the Budget and the Senate Committee on Commerce, Science, and Transportation, I believe that committee and subcommittee hearings can provide information to Members of Congress, staff, and other interested parties. However, they do not operate in isolation. Congressional hearings represent one aspect of an extensive information gathering process that must be conducted throughout the Congress. If confirmed, I will work to assure that Department of Transportation officials are responsive to the concerns and needs for information of the Congress.

Question. As you know, our nation's airline industry is in dire straights. On August 19th, the National Commission to Ensure a Strong Competitive Airline Industry issued its report which includes numerous recommendations designed to "fix" many of the industry's problems. Congress and the Administration have not yet acted on the Commission's report. What are your recommendations for Congress and the Administration to consider—and act—on this important matter?

Answer. During the 60 days in which the National Commission to Ensure a Strong Competitive Airline Industry was working toward completion of its report and since its release, Secretary Peña has worked aggressively to achieve consensus within the Administration on the 61 recommendations included in that report. This has been a time-consuming process, as a number of the Commission's recommendations fall under the purview of Departments and agencies other than DOT.

President Clinton and Secretary Peña remain committed to taking action to address the problems affecting the airline industry, including those considered by the Commission. It is my understanding that in the very near future, the President will be briefed by the Commission members, which will be followed by an initiative intended to help strengthen the U.S. airline industry. If confirmed as the Assistant Secretary for Governmental Affairs, I would welcome the opportunity to work with you and your staff, ensuring that your views on the airline industry are considered by the Secretary in such an initiative.

Question. Do you support continuation of the Essential Air Service Program? Do you have any recommendations for how federal policies could improve air service to rural areas?

Answer. While on the staff of the Committee on Commerce, Science, and Transportation, I had the good fortune of working with you, Senator Exon, and other aviation leaders in the Congress on the Small Community Air Service Improvement Act of 1987, which extended and authorized funds for the Essential Air Service program. Through this work and my first-hand experience of traveling in rural American, I appreciate the importance of viable transportation services to areas such as South Dakota. If confirmed, I will work with Secretary Peña in securing continued funding of the Essential Air Service program, which was included in the President's fiscal year 1994 budget request.

At this time, I have no specific recommendations for you or the Committee regarding federal policies that could improve air service to rural communities. However, understanding the importance of such service, I am committed to working with you and others in the Congress toward that objective.

Question. Do you believe the federal government should make an investment to improve our nation's rail infrastructure, particularly in rural areas? What federal transportation policies will you advocate to promote and ensure the competitive health of the freight railroad industry?

Answer. Freight railroads in the United States are privately owned and operated. In 1992, these private firms invested \$3.6 billion in the nation's rail infrastructure. While most rail carriers are generally in good condition, small railroads with light traffic lines serving rural, particularly agricultural, markets or isolated factories are sometimes unable to generate sufficient revenues to maintain and improve their lines. There are a number of Federal programs to assist these operators, including the Federal Railroad Administration's Local Rail Freight Assistance program. This very limited program has been instrumental in preserving jobs and stimulating economic activity in many rural areas. In addition, in disaster situations, such as the tragic flooding in the midwest this summer, I believe the Federal government should assist small railroads which do not have sufficient resources to restore their rail operations.

If confirmed, I intend to work closely with Secretary Peña and Federal Railroad Administrator Jolene Molitoris to ensure that the freight railroad industry remains healthy and competitive. Railroads are a vital element of our national transportation network and it is important that we ensure that shippers throughout the country have access to quality rail freight service at affordable rates.



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