

TESTIMONY OF
WILLIAM J. BUJALOS
DIRECTOR OF THE MIDATLANTIC TRADE ADJUSTMENT ASSISTANCE CENTER
BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT ORGANIZATION, EFFICIENCY AND
FINANCIAL MANAGEMENT

NOVEMBER 14, 2012

Thank you Mr. Chairman for this opportunity to testify before the committee regarding the effectiveness of Trade Adjustment Assistance for Firms (TAAF). Since 1998 I have been the Director of the MidAtlantic TAAC (MATAAC) located in a suburb of Philadelphia. MATAAC is a private sector non-profit entity, one of 11 such centers (or TAACs) that contract with the US Department of Commerce through its Economic Development Administration (EDA) to manage TAA for Firms throughout the nation. As part of that network my responsibility is to assist small firms in New Jersey, Pennsylvania, Virginia, West Virginia, Maryland, Delaware and the District of Columbia.

By way of credentials let me state that I have a Bachelor of Science Degree in Mechanical Engineering, have held engineering and executive positions in a variety of both publicly-traded and privately-held firms ranging in size from less than 20 to tens of thousands of employees in both manufacturing and service sectors both domestically and internationally. Positions held include: Process Engineer, Project Engineer, Project Manager, Engineering Director, Plant Manager, General Manager, Business Analyst, Vice President, Executive Vice President and Owner in the: steel, chemicals, batteries, plastics, medical device and management consulting industries.

No other agency or endeavor of the federal government does what we do. In my view TAA for Firms is a uniquely smart use of the people's money – an example of the government doing little but doing it well. It's not a manufacturing assistance program. It's not corporate welfare. It *is* a trade remedy. An initiative focused exclusively on previously quite competitive small companies now under existential threat – contributed to by growing imports frequently resulting from our free-trade agreements. Every day I see small family-owned enterprises that have been in existence for generations who have spent the last couple of years burning working capital in a vain attempt to remain competitive. Sure, they should have kept up with the latest news about pending trade agreements that might affect them. Sure they would have mitigated the damage had they done so. Of course it wasn't smart to ignore the necessary business process upgrades so that they wouldn't be blindsided by imports.

Shame on them for deciding to make payroll by Thursday afternoon instead.

By the time I see them they're reduced to fighting for their survival from a position of significantly diminished financial strength with price-cutting as the only tool left. For example, the aggregate profile of firms entering TAA in my region is as follows:

- 20% sales decline
- 10% productivity decline
- 60% earnings decline
- And more than 12% of employees had been laid off

Does anyone really think that a business exhibiting these stats is in any way sustainable? In my previous life we had a term for it – death spiral. And consider, more than three-quarters of them are located in rural counties; in many cases they're a primary employer – sometimes the *only* employer. So the effects often aren't just on the firm but the community at large.

I believe strongly in the benefits of free trade. In my view the movement of goods and services across borders is a hallmark of a capitalistic free market system. Further, I believe the eventual elimination of barriers to free trade should be this government's policy. In that context TAAF is a well thought out “ounce of prevention” designed to help small privately held enterprises navigate the minefield they may find themselves in as a consequence.

There are numerous misconceptions about what we are. Some in Congress have claimed that we are “consultants” and that we “grossly overcharge companies.” Further that we “... have been known to charge exorbitant overhead rates of 60 percent of grant funding ...” and that a high percentage of the firms assisted have gone out of business anyway. None of that is true. What is true is that people like me have failed miserably at educating some folks.

To clarify: we prove trade-injury, we develop specific business plans aimed at upgrading weaknesses found and we then partner with our clients in hiring outside consultants to implement a bundle of knowledge-based upgrade projects thus identified. Our objective is the enhancement of their global competitiveness.

- TAAF has been a benefit to both service and manufacturing sectors for decades. Firms in this program receive no public money. They *do* receive technical assistance critical to their survival. They receive it from other small businesses: mostly one, two or three person consulting shops trying to succeed in the economy too and identified either by the client firm itself or as a result of competitive bids. We pay half of the fees for the assistance and the firm pays the other half during our relationship with them.
- They have lots of skin in the game. Companies in this program actually pay into it. The success of small trade-injured enterprises in this program requires that management decide to conduct business differently. In other words, to succeed they must confront the risks associated with NOT doing the same old things over and over again – they have to address a permanent change in their behavior ... a difficult assignment in *good* times!
- We don't pick up the pieces after catastrophic layoffs have occurred and try to create new careers out of whole cloth. Our job is to help prevent catastrophe in the first place. It's a lot cheaper and immensely more effective.
- TAA for Firms is not a jobs program but a trade remedy through firm-stabilization. Our overarching mission is the increased global competitiveness of the trade-injured.

We gage success with long-term tracking methodologies using measured results – not calculated ones. For instance last year’s national survey of about a thousand active clients showed in the aggregate since program entry: 4% jobs growth, 21% productivity growth and 26% sales growth.

At MATAAC we define competitiveness upgrade as share growth, or simultaneous growth in at least three of the following four metrics:

- Sales
- Productivity
- Earnings
- Jobs

In '09, 30% of our portfolio achieved three out of four. A year later 44% did it and by the end of last year 48.4% did.

Rarely do these results occur early. They require sustained project implementations over time. TAAF just isn’t a quick fix. Very little in business ever is. And importantly, since we are not a consulting firm, we are free to speak painful truths with clarity and directness without the need to sell project types to match the skill sets of our employees. Put another way, we don’t use the people’s money to compete against the private sector.

The truth about our overhead rates is exemplified by our experience in the MidAtlantic states: rather than cover several counties with a staff of as many as 10 or more, MATAAC covers 6 states with a staff of 4, resulting in an overhead rate for 2011 of just 16%. Put another way, 84¢ of every dollar expended hits the street. Regarding sustainability as a going-concern, consider that 97% of the firms assisted were still in business five years after entry into the program and fully half of those not in business didn’t go out of business. They were acquired.

National ROTI speaks for itself. From ’07 through ’11 funding for TAAF totaled \$71.2 million and the program returned more than \$14 in taxes for each dollar spent:

Investment per job:	
Funding, federal fiscal year 2007 to 2011 ¹	\$71,217,976
Total jobs impacted ²	77,015
Investment per job	\$925
Economic Impact per job:	
Income, average manufacturing job	\$44,221
Federal, state revenue on manufacturing @ 20.7%	\$9,154
Income multiplier ³	\$22,111
Federal, state revenue on multiplier jobs	\$4,577
Annual federal & state revenue per manufacturing job ⁴	\$13,731
Return on Taxpayer Investment	1,485%

I realize that these numbers may seem heroic. That doesn’t make them wrong. I believe they suggest that TAAF works – quite possibly better than most of what the federal government does on any given day.

¹ Funding covers FY 2007 to 2011, includes only federal government expenditures, and includes funding only for the Trade Adjustment Assistance Centers. It does not include the administrative costs of the U.S. Department of Commerce.

² Jobs impacted are those retained and generated at firms completing at least one technical assistance project by December 31, 2011. It does not include the impact of assistance for firms that entered the program after December 31, 2011.

³ Multiplier jobs are those jobs generated in providing goods and services required by the employed manufacturing workers. Although often estimated at 2 or 2.5, for the purpose of this analysis, a conservative multiplier of 0.5 was used. Manufacturing job revenue is calculated at an average hourly rate of \$21.26 (US Statistical Abstract 2011), an annual income of \$44,221 was assumed, and the multiplier income per manufacturing job is \$22,111.

⁴ Annual revenue per job disregards local income tax or property tax revenue.

Could TAAF be improved? Sure.

Speaking as a private citizen with some business experience I would say that if we're to be every bit as serious about the general continuous improvement of the program as we are about the competitive performance of our clients, we should be open to better ways of doing our job – if for no other reason than at the end of the day our real client is the American taxpayer.

1. If our mission is as I've stated i.e., the upgrade of the global competitiveness of the trade-injured, then what is the best methodology we should use to measure, track and score that achievement – regionally and nationally?
2. What is the optimum national deployment of our resources (assets, personnel and management systems) to be engaged to fulfill that mission?
3. What are the minimum levels of acceptable performance against which each TAAC should be evaluated, scored, ranked and held accountable for in that process?
4. Might it not be worthwhile at multi-year intervals to rank TAACs by their score at mission achievement over the period and subject the lowest ranked to a re-bidding of their cooperative agreement?
5. Given the importance of the mission, shouldn't we require significant business credentials of all key staff hires going forward? Especially manufacturing credentials?
6. Shouldn't approval of Adjustment Plans be devolved to the TAAC Directors by virtue of the fact that these tomes are robust business plans unique to each firm's financial, organizational and operational circumstances and that, short of actually writing them themselves, no person external to the TAAC (especially without business credentials) is qualified to evaluate them in any meaningful way?

But even if none of what I've just outlined is ever implemented, I am still convinced that Trade Adjustment Assistance for Firms remains an agile, focused and highly effective program just as it is. Further, I would argue that someday if we ever get serious about revitalizing the nation's small business sector we might consider this business model as a sharpened arrow in our quiver – and not just for the trade-injured either.

Let me be clear. I'm just an engineer, not an economist. But I do know what it is to work hard for a living and I've seen quite enough to appreciate the utter folly of Keynesian economics. In my view the fundamental purpose of business is and ought to be the enrichment of those risking their own investment. Jobs are a natural consequence of their success. Therefore for me it's pretty simple. We should develop those policies that would promote a level of business success equal to none on the planet. Small firms in any capitalist society are more precious than gold – more so especially now given our current circumstances. I am reminded that for each million people that are out of work, America needs to create an environment in which entrepreneurs will create 10,000 new ones ... and that's presuming we don't lose too many of the ones we already have!

I am convinced that TAAF, coupled simultaneously with a much more robust focus on free trade agreement ratification and a critical review of current tax and regulatory policies would go a long way in reversing what has become an existential chokehold on that part of our economy that produces most of the people's take home pay.

But I only help manage Trade Adjustment. It's a lot more important for you to hear from folks like the entrepreneurs that were kind enough to join me today. Their experiences are direct and more relevant.

Thank you for asking me to be a part of the discussion.

**Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)**

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

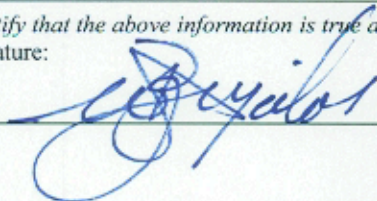
Director:
The MidAtlantic Trade Adjustment Assistance Center (MATAAC)

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

Grant No.	Grant Period	Grant Amount	Agency
99-26-07663-01	9/1/09 thru 6/30/10	\$1,310,257.00	EDA
99-26-07663-02	9/1/09 thru 6/30/10	\$205,440.00	EDA
99-26-07663-03	7/10/10 thru 6/30/11	\$1,513,714.97	EDA
99-26-07667	7/1/11 thru 6/30/12	\$1,485,533.17	EDA
		\$4,514,945.14	

I certify that the above information is true and correct.

Signature:



Date: September 11, 2012

WILLIAM J. BUJALOS

EDUCATION

Drexel University

Bachelor of Science in Mechanical Engineering

OCCUPATION

July 1998 --- present, MidAtlantic Trade Adjustment Assistance Center

- Director

February 1995 --- July 1998, American Management Services, Inc.

- Vice President
- Senior Business Analyst

January 1993 --- February 1995, Northern Manufacturing Company

- General Manager

March 1987 --- January 1993, Nationwide Collision, Inc.

- President

October 1981 --- March 1987, TBL Development Corp.

- Executive Vice President

September 1975 --- March 1981, Merck KGaA

- Vice President – Operations
- Plant Manager
- Director – Engineering

Prior Experience

- Union Carbide Corp.
- ESB International
- Air Products