

TAKING ACTION, BUILDING CONFIDENCE

FIVE COMMON-SENSE INITIATIVES TO
BOOST JOBS AND COMPETITIVENESS

INTERIM REPORT

JOBS COUNCIL



PRESIDENT'S COUNCIL
ON JOBS AND COMPETITIVENESS

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Executive Summary

Almost four years after the onset of the worst recession since the Great Depression, job growth is not nearly what it needs to be to return the nation to full employment. At the same time, leaders in business, government, labor and civil society have expressed growing concerns about America's ability to compete effectively in the global economy. President Obama convened the Council on Jobs and Competitiveness earlier this year to bring fresh perspective and momentum to these questions, asking leaders from business, labor and academia to develop ideas that will accelerate job growth and improve the country's long-term position.

In June we presented a set of initial ideas that could spur new hiring immediately. The Administration has already begun to act on these ideas. Since June, while national policymakers have focused on macroeconomic challenges, the Council's aim has been to identify and unlock pockets of growth that can build on a stable macroeconomic context and speed job creation over a two- to five-year period.

The Council believes there is no one "silver bullet" on jobs. We therefore offer in this Interim Report a series of practical proposals that can meaningfully accelerate job creation over the next five years as part of the nation's overall jobs agenda. Our recommendations are grouped into five initiatives:

- 1 Measures to accelerate investment into job-rich projects in **infrastructure and energy** development;
- 2 A comprehensive drive to ignite entrepreneurship and accelerate the number and scale of young, small businesses and **high-growth firms** that produce an outsized share of America's new jobs;

- 3 A **national investment initiative** to boost jobs-creating inward investment in the United States, both from global firms headquartered elsewhere and from multinational corporations headquartered here;
- 4 Ideas to **simplify regulatory review** and **streamline project approvals** to accelerate jobs and growth; and,
- 5 Steps to ensure America has the **talent in place** to fill existing job openings and boost future job creation.

Restoring American confidence through reliable job growth in the near-term is essential. But the longer-term economic challenges the nation faces are equally serious. In December, the Council will deliver a report addressing the broader factors that underpin national competitiveness. Our plan will be to sound the alarm. In a global era, America's future prosperity and the strength of our middle class requires us to be far more strategic and effective when it comes to the key determinants of economic strength: education and training; respect for workers' rights; tax policy; energy policy; research and development; manufacturing prowess; fiscal and financial stability; and more. If we fail to reverse today's troubling long-term trends, our children's standard of living will erode.

Despite the hard times and anxieties that too many Americans now face, Council members are united in their conviction that America's best days lie ahead. But we need a sense of urgency and a bias for action. When 25 million Americans who want full-time work can't find it, each of us has a duty to think and act differently. We owe it to our fellow citizens desperate to get back to work to act on these common-sense ideas without delay.

Introduction

Almost four years after the onset of the worst recession since the Great Depression, job growth is not nearly what it needs to be to return the nation to full employment. A weak labor market and the debt hangover faced by families, financial firms and governments, along with recent troubles in Europe, Japan and energy markets worldwide, have made this recovery more challenging than previous ones, and it calls for a wider range of responses. At the same time, leaders in business, government, labor and civil society have expressed growing concerns about America’s ability to compete effectively in the global economy. To inject fresh perspective and momentum into the search for solutions, President Obama convened the Council on Jobs and Competitiveness earlier this year, asking leaders from business, labor and academia to develop ideas to accelerate job growth and improve the country’s long-term position.

The Council has pursued a three-phase approach to its work: catalyzing job growth by capturing “low-hanging fruit” over the short-term; focusing on broader ways to accelerate job creation while also lifting U.S. competitiveness over the next two to five years; and developing proposals on the broader factors influencing American competitiveness over the next five to 10 years.

In June, the Council presented its first set of ideas to spur new hiring immediately. It included ways to cut red tape that bogs down big infrastructure projects and deters ready-to-spend tourists from reaching our shores. Indeed, when flocks of tourists from rising economies like Brazil or China go elsewhere because it can take months of arduous effort

to get a U.S. visa, that’s emblematic of the barriers to job creation that common-sense reforms can quickly address. The Administration has already begun to act on these early ideas. (See “Update on Council’s June Recommendations.”)

Since June, while national policymakers have focused on macroeconomic challenges—including the forces affecting aggregate demand and consumer behavior as well as related questions of federal and state fiscal policy—the Council’s aim has been to identify and unlock pockets of growth that can speed job creation over a two- to five-year period. In particular, we looked for opportunities to change the trajectory of jobs growth by bolstering the institutions that shape the nation’s underlying competitiveness.

“We need a sense of urgency and a bias for action.”

The Council believes there is no one “silver bullet” to create jobs. We’ve therefore sought to generate multiple ideas that together can add up to real progress. We’ve identified and prioritized many areas that don’t depend on major legislative action or government funding. As a nonpartisan group, we’ve also steered clear of the fights that invariably swirl around the nation’s current economic strains. The Council offers in this report a series of targeted proposals that can meaningfully accelerate job creation while beginning to rebuild America’s competitiveness.*

These job creation “business plans” can serve as another critical plank in the nation’s overall jobs agenda. Many of these opportunities can be captured quickly—if the public and private sectors act in tandem to seize the initiative. To help jumpstart such efforts and build momentum, the Council is launching initiatives in several critical areas, from training workers for advanced manufacturing jobs to boosting the supply of engineers. As their impact is proven, policymakers can expand these initiatives nationwide.

Restoring American confidence through job growth in the near-term is essential. But the longer-term economic challenges the nation faces are equally serious. In December, the Council will deliver a year-end report addressing the broader factors that underpin national competitiveness. Our plan will be to sound the alarm. In an era of global economic competition, America’s future prosperity and the strength of our middle class require us to be far more strategic and effective when it comes to the key determinants of economic strength: education and training; respect for workers’ rights; tax policy; energy policy; research and development; manufacturing prowess; fiscal and financial stability; and more. If we fail to reverse today’s troubling long-term trends, our children’s standard of living will erode.

This Interim Report highlights the Council’s recommendations to unlock vital pockets of job growth over the next several years.† Many of our proposals can be private-sector led, or require only modest government funding; others fit within existing programs.‡ They fall into five major initiatives to increase employment while improving competitiveness. They are:

- 1 Measures to accelerate investment into job-rich projects in **infrastructure and energy** development;
- 2 A comprehensive drive to ignite entrepreneurship and accelerate the number and scale of young, small businesses and **high-growth firms** that produce an outsized share of America’s new jobs;
- 3 A **national investment initiative** to boost jobs-creating inward investment in the United States, both from global firms headquartered elsewhere and from multinational corporations headquartered here;
- 4 Ideas to **simplify regulatory review** and **streamline project approvals** to accelerate jobs and growth; and,
- 5 Steps to ensure America has the **talent in place** to fill existing job openings as well as to boost future job creation.

Despite the hard times and anxieties that too many Americans now face, Council members are united in their conviction that America’s best days lie ahead. But we need a sense of urgency and a bias for action. We won’t make progress together unless each of us is willing to change. As you’ll learn from this report, when it comes to accelerating a siting permit or issuing visas, there are always a hundred reasons to delay action. But there are 25 million other reasons to act *now*. When 25 million Americans who want full-time work can’t find it, each of us has a duty to think and act differently.

These are not ordinary times. We owe it to our fellow citizens desperate to get back to work to act on these common-sense ideas without delay.

* Estimating the jobs impact of various proposals is a challenge; economists offer ranges of estimates that depend on any number of complex factors and scenarios, and changing macro-economic conditions can swamp the impact of any targeted initiative. The Council’s initial analysis is encouraging, and it suggests our proposals have the potential to create millions of jobs in the years ahead while improving America’s competitive standing. The Council aims to advance the debate and accelerate action on a set of concrete ideas that we know will make a meaningful difference on jobs. At times in the pages that follow, we will show the results of external estimates that indicate the rough scale of the opportunity.

† In a diverse Council made up of 27 leaders, not every member agrees on every detail of the recommendations that follow. Council members are united behind the overriding theme of this report: the nation needs to urgently tackle the jobs crisis, and the ideas presented here can be a vital piece of the agenda that moves us forward.

‡ In our year-end report the Council expects to offer further details on proposed public investments.

Update on the Job Council's June Recommendations

At the direction of the President, Chief Performance Officer and Deputy Director of the White House Office of Management and Budget Jeff Zients and Government Reform for Competitiveness and Innovation Initiative Executive Director Lisa Brown have led the Administration's work to analyze and, wherever possible, implement the recommendations the Jobs Council presented to the President at our meeting with him on June 13, 2011, in Raleigh-Durham, North Carolina. In some cases, the Council brought new ideas to the Administration; in others, we recommended accelerating initiatives already underway. Working together, the Council and the Administration have made significant progress.

Expediting high-priority infrastructure projects

The Council recommended that the Administration streamline environmental permitting, and, in particular, that it select projects with significant near-term jobs impact for expedited review. In direct response to this recommendation, on August 31 the President directed federal agencies to expedite infrastructure projects with significant jobs-creating potential; launch a pilot dashboard to track progress on those projects; and pilot additional online tools to reduce the cost and improve the speed of environmental permitting. By helping to launch major construction projects faster and more efficiently, these efforts will have a direct impact on new job creation.

Independent agency regulatory lookback

Spurred by the Council's recommendation, on July 11 the President signed an Executive Order asking independent agencies to develop plans to reassess and streamline their existing regulations, and to make those plans public. This process will remove outdated and inefficient regulations and

spur job growth while effectively protecting the public welfare. At the Council's urging, the Administration has also prioritized implementing changes that benefit small businesses and spur job growth in the ongoing review and streamlining of executive branch regulations.

Supporting small-business growth

The Council recommended creating a "one-stop shop" for small businesses and increasing liquidity for small-business government contractors. Both recommendations matched efforts underway within the Administration and provided momentum to accelerate the work. During his speech before Congress on September 8th, the President announced the launch of BusinessUSA, a virtual one-stop shop for information relevant to small businesses. Rather than having to navigate a web of separate agencies, these businesses will be able to visit one on-line entity to find out how to apply for loans, get critical information on exporting, identify potential contracting opportunities, and obtain other information on government services and opportunities that will help them grow and thrive. On September 14, 2011, the President also announced that the Administration will accelerate payments to small-business government contractors, a Council recommendation that will, in many cases, cut payment time in half, getting money into the hands of small businesses faster so they can reinvest that money in the economy and drive job growth.

Increasing travel and tourism

The Council recommended increasing U.S. travel and tourism to spur job growth. The Council has focused primarily on two key areas: promoting travel to the United States and accelerating visa processing. The Council and the White House team have been working closely with the Corporation for Travel Promotion, a new public-private partnership dedicated to promoting travel to the United

States, to accelerate its launch plans. The Corporation, which was created by the Travel Promotion Act signed into law by the President in 2010, is ramping up and will be fully operational for the 2012 travel season. To date, the Corporation has received more than \$10 million in private-sector commitments. The Council has leveraged its deep private-sector expertise and network to attract a group of high-level chief marketing officers from travel-industry companies who can provide advice that will help inform the Corporation's strategic priorities and maximize critical private sector participation.

In addition, the Council has also been working closely with the State Department to accelerate visa processing—particularly in fast-growing countries such as China and Brazil, where demand currently outstrips processing capacity—while protecting our national security. Due to increased staffing and better use of facilities, the Administration has already made significant progress. The State Department has increased visa processing in China and Brazil by 30%. Nevertheless, the Administration is working to achieve at least another 40% increase in visa adjudications in these countries in 2012. The Council, meanwhile, continues to work with the State Department and the Department of Homeland Security (DHS) to identify further opportunities to accelerate visa processing.

Streamlining the EB-5 Immigrant Investors Program

The Administration is working to improve and leverage the EB-5 immigrant investor visa program, another Council recommendation. DHS' Citizen and Immigration Services (USCIS) is enhancing the program by creating specialized review teams with business expertise, engaging re-engineering experts to streamline the process, launching a premium processing service and evaluating additional options for maximizing the program's potential.

Promoting foreign direct investment

The Administration has moved forward to promote foreign direct investment in this country, as recommended by the Council. Earlier this year, on June 15, the President established SelectUSA, an office in the Department of Commerce tasked with coordinating government-wide efforts to attract and retain investment in the American economy. One of the office's key roles is to serve as an ombudsman to facilitate the resolution of issues involving federal programs or activities related to pending investments. In addition, the President made a formal statement five days later that reaffirmed the nation's commitment to an open-investment policy,

highlighting the importance of inbound investment to the U.S. economy. On October 7, Secretary of State Hillary Clinton hosted a session with Council members that focused on increasing inbound foreign direct investment.

Better Buildings Initiative

On June 30, the Council and Administration officials announced an initial 14 commitments to the Better Buildings Challenge, which is part of the Better Buildings Initiative launched by the President in February to catalyze private-sector investment in commercial building upgrades and make America's commercial buildings 20% more efficient over the next decade. In close coordination, the Administration and the Council have launched the next phase of the Better Buildings Challenge: obtaining energy efficiency retrofitting commitments of \$2 billion in financing and 1 billion in square feet by November. This effort will effectively put workers in the hard-hit construction industry back to work.

Streamlining the medical device approval process

The Council has worked closely with the Food and Drug Administration (FDA) on ways to improve the medical device approval process. The FDA is currently engaged in a major initiative to streamline and improve the approval process, and the Council has worked with the White House to facilitate private-sector input into the analysis.

Enhancing the patent process

On September 16, the President signed the *America Invents Act*, legislation that will improve the quality and efficiency of the patent system. Building on the Patent Office's success in improving productivity, the new legislation will enable the Patent Office to further reduce backlog and expedite the approval process consistent with the Council's recommendations.

HOW THE COUNCIL HAS BEEN WORKING

Under Chairman Jeff Immelt's leadership and at President Obama's invitation, the Council assembled a distinguished set of leaders from across business, academia, and labor to provide private-sector insights on solutions to the jobs challenge. The Council members divided their task among seven working groups

- **The "Jobs Plan" working group** ensured all ideas were subject to rigorous evaluation of their merits and impact.
- **The "High-Growth Entrepreneurs" working group** investigated how to re-start America's entrepreneurial engine.
- **The "Regulatory" working group** brought business efficiency to the processes of government.
- **The "Infrastructure and Investment" working group** explored the United States' infrastructure needs and how they could be financed.

- With talent as the nation's chief asset as well as its most pressing need, **the "High-Tech Education" working group** explored partnerships to elevate the American workforce's skills level.
- **The "Innovation" working group** explored how to maintain the United States' leading edge.
- **The "National Investment Initiative"** spearheaded a strategy to restore the U.S. share of global investment.

The Council has also involved the wider private sector community through various outreach forums and listening sessions. From a round-table discussion with up-and-coming high tech companies in Silicon Valley to an infrastructure summit with the Department of Transportation and local business leaders, the Council has sought to convene groups that could offer insights and the ability to act in response to the U.S. jobs challenge.

JOBS COUNCIL LISTENING & ACTION SESSIONS

As it developed recommendations, the Council wanted to collect as much feedback as possible from actual job-creators. To accomplish this, the Council, in partnership with the local affiliates of the U.S. Chamber of Commerce, the National Federation of Independent Business, and the National Association of Manufacturers, spent 2011 holding "Listening & Action" sessions with businesses of all sizes, independent entrepreneurs, working people and community leaders. At these meetings, Council members benefited from hearing first-hand about ways in which the public and private sectors can immediately, and in the long-term, catalyze job growth.

- **Small Business Supply Chain Listening & Action Session—Dayton, OH (May 10)** Council members Jeff Immelt, Christopher Che and Dick Parsons met with Small Business Administration Director Karen Mills and Dayton-area small-business leaders to discuss opportunities and barriers for supply-chain partnerships between small and large businesses.
- **Small Business Exports Listening & Action Session—Minneapolis, MN (May 17)** Council members Jeff Immelt, Antonio Perez and Darlene Miller met with U.S. Commerce Secretary Gary Locke and Dayton-area business leaders to discuss ways small businesses can better reach growing export markets.
- **Jobs Council Participation in New York Forum—New York, NY (July 20)** Council members Laura Tyson, Steve Case, Brian Roberts and Robert Wolf held a panel discussion on job creation with Senior Advisor to the President Valerie Jarrett at the 2011 New York Forum. The panel, attended by business leaders from around the globe, featured the theme "Committed to Growth."
- **Jobs Council Participation in U.S. Conference of Mayors—Los Angeles, CA (July 23)** Council members Dr. Laura D'Andrea Tyson and Monica Lozano held a panel discussion on jobs creation with Los Angeles Mayor Antonio Villaraigosa and mayors from around the country to discuss job creation in local communities, obtaining valuable feedback on what's working and what's not.
- **Startup and Entrepreneurship Listening & Action Session—Palo Alto, CA (August 2)** Council members Steve Case, John Doerr and Sheryl Sandberg met with U.S. Chief Technology Officer Aneesh Chopra and local Silicon Valley entrepreneurs and business leaders to discuss ways in which the public and private sectors can partner to create both opportunity and job creation for start-ups and high-growth businesses.
- **Engineering and Innovation Listening & Action Session—Portland, OR (August 31)** Council members Paul S. Otellini and Darlene Miller convened a forum with U.S. Energy Secretary Dr. Steven Chu and deans from the nation's top engineering schools to discuss ways to increase the number of engineers in this country.
- **Infrastructure Investment Listening & Action Session—Dallas, TX (September 1)** Council members Richard Trumka, Dr. Laura D'Andrea Tyson, Robert Wolf, Gary Kelly, Matthew Rose and Lewis Hay met with U.S. Transportation Secretary Ray LaHood and U.S. Chamber of Commerce President & CEO Tom Donohue to discuss the importance of infrastructure investment for creating jobs and strengthening American economic competitiveness.
- **Foreign Direct Investment Listening & Action Session—Washington, DC (October 7)** Council members Jeff Immelt, Antonio Perez and Robert Wolf met with U.S. Secretary of State Hillary Clinton and representatives from multi-national companies investing in the United States to discuss ways to make America more attractive to global investment.

TAKING ACTION, BUILDING CONFIDENCE

**FIVE COMMON-SENSE INITIATIVES TO
BOOST JOBS AND COMPETITIVENESS**

INITIATIVE 1

Invest Aggressively and Efficiently in Cutting-Edge Infrastructure and Energy

The Council wants to add its voice to a point every thoughtful group that's looked at the matter has shouted from the rooftops: repairing and modernizing our roads, bridges, tunnels, railways, ports, dams, schools, airports, transit, electric grids, water and wastewater systems, and expanding our broadband networks are classic “two-fers.” They create jobs in the near-term (at a time when more than one million construction workers are out of work) and they promote long-term competitiveness by building a more productive economy. If Washington can agree on anything, it should be this—and it should be now.

A NEW ERA FOR INFRASTRUCTURE

Every American who travels abroad knows that the United States is failing to keep pace with the competition; it's a sad commentary when executives landing at Kennedy, O'Hare or LAX after trips to Shanghai, Singapore or Frankfurt routinely joke that it's like “coming home to a developing country.” As Building America's Future¹ has strikingly documented:

- U.S. infrastructure has plummeted from eighth to 16th place in the World Economic Forum's 2005 economic competitiveness ranking;
- China now boasts six of the world's top 10 ports. The United States can't even claim one of the remaining four. Worse, the Shanghai port moves more container traffic a year than the top seven U.S. ports *combined*.
- The United States has the world's worst air traffic congestion—a quarter of flights in the United States arrive more than 15 minutes late, and our national average for all delayed flights (about 56 minutes) is twice as long as Europe's average.
- Among the world's leading nations, only the United States lacks a national plan to leverage private capital to help fund infrastructure projects.

America doesn't need more studies to tell us what it would take to fix our situation. Every group from Building America's Future to the American Society of Civil Engineers (ASCE) to the Surface Transportation Financing Commission says the investment shortfall is massive.

ASCE, for example, cites a \$1.1 trillion shortfall over five years for government-funded infrastructure alone². When you include broadband and energy infrastructure, which are funded largely by private investment, the gap is much higher. Yet there are even higher estimates of the government-funding gap as well. For example, several recent bipartisan reports, including one by former Transportation secretaries Norman Mineta and Sam Skinner, indicate that the annual gap in transportation infrastructure alone is \$200 billion—i.e., the amount required to maintain and improve the transportation system³. Current government revenues dedicated to surface transportation infrastructure (at all levels of government) cover less than half of this amount⁴. And as government debt grows and private investors remain cautious, obtaining the necessary funds from traditional sources will be difficult unless we turn to innovative financing options.

It's not just a question of money, though. The nation's complex federal, state and local permitting system (discussed in more detail in the “Initiative 4: Simplify regulatory review and streamline project approvals” section of this report) can lead to unnecessary delays. In fact, large Department of Transportation projects can spend *years* getting the required Environmental Impact Statement process completed under the National Environmental Policy Act (NEPA)⁵. Moreover, there is little incentive or structure in the political process to assure that the nation's most pressing infrastructure priorities will be chosen for funding on a rational basis and then pursued cost-effectively. With so much vital public work to be done, it is crucial to prevent logrolling as usual in order to restore public confidence.

“Infrastructure is a classic ‘two-fer’—it creates jobs in the near-term and promotes long-term competitiveness.”

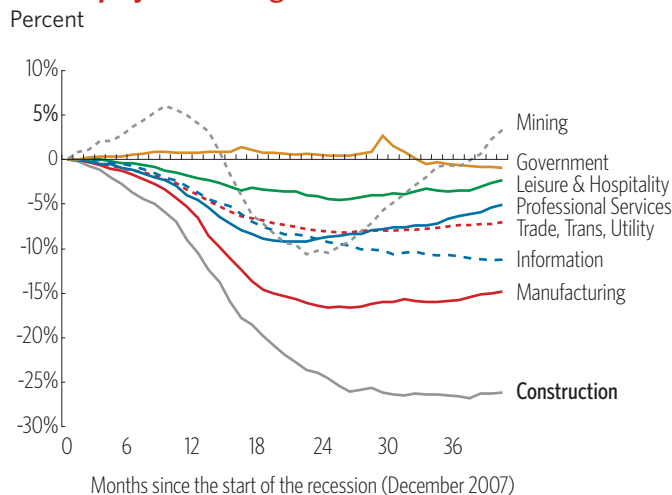
The Council believes it is time to stop studying this problem and time instead to get to work. The stakes for jobs are substantial. Studies indicate that each additional \$1 billion of government infrastructure spending creates between 4,000 and 18,000 jobs⁶. Most of them are middle-class jobs with wages between the 25th and 75th percentile of the wage distribution⁷. In addition, government spending on infrastructure has a bigger multiplier impact on GDP than even a payroll tax holiday (a \$1.59 versus a \$1.29 rise in GDP for every dollar invested, respectively, according to Moody’s)⁸.

The efficiency and competitiveness gains from investing in infrastructure are equally vital. Numerous studies show that well-designed infrastructure projects generate significant productivity and growth gains. Reducing congestion in the nation’s skies and airports would speed shipments of high-tech manufactured goods and intermediate parts. Speed and cost to market have a critical impact on the nation’s ability to export, particularly to high-priced markets like Europe where our quality goods can compete.

For example, improving highway and rail linkages to ports and opening up deep-water access to the next generation of mega container ships could shave transport costs by up to one-third and boost exports even more. Similarly, undertaking surface transportation projects to decongest urban centers and increase the size and speed of intermodal freight corridors as well as investing to improve our outdated and capacity-constrained air traffic control system would dramatically decrease time from production to consumers both here and overseas. As the President’s Export Council declared recently, “America’s transportation infrastructure is also America’s export infrastructure... American business cannot participate in the global economy if it can not get its products out the door.”⁹

According to a recent report by the ASCE, investing enough to maintain our transportation infrastructure would mean about 1.3 million more jobs in knowledge and technology-based sectors by 2040¹⁰. Without this investment, economy-wide employee income in 2040 would decrease \$250 billion as a result of increased costs and reduced productivity. As the Federal Communications Commission (FCC) concluded in its National Broadband Plan, “Investment in information and communications technologies accounted for almost two-thirds of all economic growth attributed to capital investment in the United States between 1995 and 2005.”¹¹

U.S. Employment Change From December 2007¹

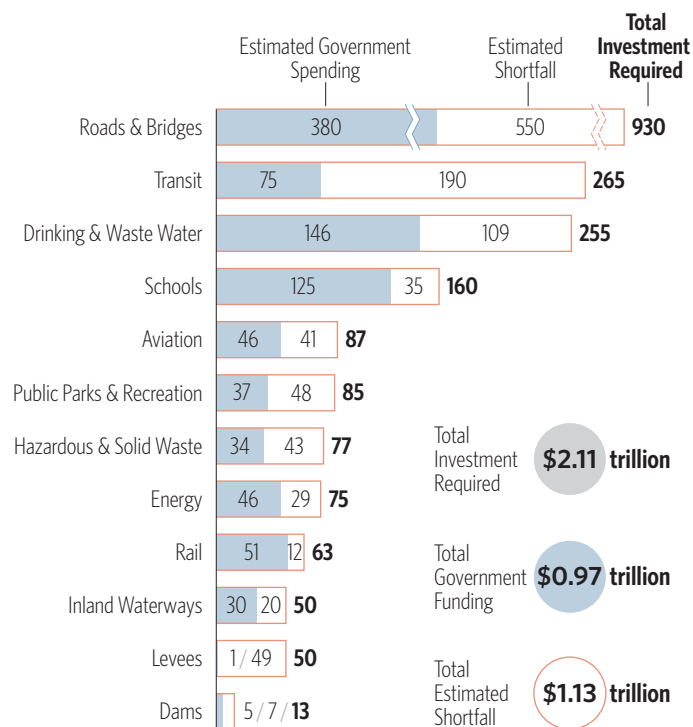


Construction employment declined the most during the recession.

1. Total non-farm employment, seasonally adjusted. Source: Bureau of Labor Statistics

Necessary Infrastructure Investment

USD billions



The American Society of Civil Engineers has estimated the infrastructure gap across all forms of infrastructure.

Source: American Society of Civil Engineers

What to Do?

The Council recommends the following actions to encourage more and better investment in the nation's transportation and broadband infrastructure. (Investment in important parts of the nation's energy infrastructure is discussed in the "A New Era for Energy" section of this report.) The Council's seven recommendations are:

1. Reauthorize the main surface transportation programs; focus on performance and accountability.

For too long, these programs have limped along on temporary extensions. Specifically, there should be a formal, programmatic requirement in these programs for cost effectiveness using objective cost-benefit criteria for project selection and funding. A significant increase in transportation infrastructure investment must be coupled with broad-based reforms to select projects wisely and to provide incentives for efficient program and project delivery.

2. Leverage and expand existing public-private financing mechanisms to increase private capital for infrastructure investment.

For instance, \$14 billion of DOT's Private Activity Bonds (PAB) currently approved for surface transportation projects are yet to be allocated¹². Project sponsors, investors and government officials should work together to ensure that demand is sufficient and that this tool is leveraged to catalyze private investment. In addition, letting funds already dedicated to infrastructure from the Transportation Investment Generating Recovery program (TIGER) be invested via the Transportation Infrastructure Finance and Innovation act (TIFIA) could leverage those same dollars 10 times more. Unlike TIGER, which provides direct grants, TIFIA provides loans and financing support, allowing it to re-loan the same federal dollar multiple times. Both the PAB and the TIFIA programs have proven track records; they should be significantly expanded as part of the reauthorization of federal surface transportation programs. According to the FHWA, every \$1 of TIFIA funding leverages \$30 in transportation projects¹³.

In addition, creative infrastructure investment being organized by unions and other pension funds should be leveraged. Chaired by the American Federation of Teachers, a broad coalition—including SEIU, AFSCME, NEA, the Firefighters, the AFL-CIO Building and Construction Trades Department, and investment funds affiliated with the labor movement—has committed to work with member unions, union pension funds, their investment professionals and government at every level to invest \$10 billion in job-creating infrastructure over five years, as well as at least \$20 million in specific energy retrofits over the next year¹⁴. This will include a retrofit of AFL-CIO headquarters and the training of tens of thousands of workers in the skills necessary to work on 21st-century infrastructure.

3. Create a national infrastructure financing organization that complements existing programs and attracts private capital.

With the notable exception of broadband networks and our energy infrastructure, there is currently little direct private investment in infrastructure projects in the United States compared to many other countries, and the United States has done little to facilitate public-private partnerships. With the ability to leverage additional private funds, a National Infrastructure Bank could greatly increase the amount of private funding for infrastructure projects. States also have the potential for effective infrastructure banks. The Council recommends that Congress explore the creation of a National Infrastructure Bank, according to the following principles:

- Broad-sector coverage, including surface related and transport (roads, bridges, railway, aviation) as well as energy and water treatment;
- Projects of regional or national significance, with well-defined project selection criteria and a professional management team to ensure a credible and objective funding process;
- Projects comply with established federal contract guidelines;
- Merit-based funding decisions based on rigorous cost-benefit analysis to ensure accountability and efficiency in project delivery and lowest whole-life project cost;
- Self-sustaining financing limited to loans and loan guarantees, with grants limited to small amounts to fund feasibility studies;
- Ability to provide truly subordinated, long-dated, rate-subsidized loans;
- A wholly-owned, independent, government institution (not a government-sponsored enterprise) with an independent board of directors and management (CEO and board of directors appointed by the President and confirmed by the Senate) that issues regular, periodic reports to Congress; and,
- Funded by Treasury following an initial appropriation by Congress; loans would typically cover no more than 20% of project funding and would be used alongside user fees, local contributions and other sources of financing to fund infrastructure projects.

4. Protect and preserve user-based funding of the Highway Trust Fund by reducing restrictions on user-generated funding for highway use.

Exploring the use of more user-generated funding that would ease statutory prohibitions to allow states to toll or price highways eligible for federal aid would both help to rectify the Highway Trust Fund deficits and open the door to additional public-private infrastructure projects.

5. Speed implementation of the Next Generation Air Traffic Control System through regulatory and administrative changes; provide federal funding for NextGen capabilities available today.

The FAA should develop and implement fuel-efficient, satellite-based air traffic control procedures and accelerate the implementation of FAA's Navigation Procedures Implementation Plan. Faster implementation of a NextGen air traffic control system would not only dramatically smooth the daily flow of travelers and goods, it would also reduce energy consumption and add greater capacity to U.S. airspace. In addition, we should facilitate air travel through the expansion of a "Trusted Traveler" pre-flight screening program to expedite the physical screening process at TSA checkpoints.

6. Promote construction of broadband networks and new technologies to reach all Americans, especially the 7% with no access to broadband.

Broadband access can connect more Americans to jobs, and not only by linking them to the powerful information flows on the Internet. Access to the Internet is essential to education, updating skills through online learning and online job searches. Broadband Internet access can also allow workers to participate in the home services revolution, a change that allows the United States to once again be cost competitive with global service providers like India for more complex, higher-value services. Indeed, the FCC, as part of its broadband initiative just announced commitments to create 100,000 jobs from companies looking to create or repatriate jobs to home-based workers and low-cost areas of the United States¹⁵. In addition, underutilized and unlicensed spectrum should be made available to promote the deployment of wireless and satellite-based technologies.

We should also deploy broadband to unserved areas of the country by modernizing the FCC's Universal Service Program, and we should develop programs to close the digital divide. For example, the Universal Service Fund (USF) generates more than \$4 billion annually from surcharges paid by telecommunications users to subsidize telephone services in high-cost areas. The USF should be repurposed to allow broadband services.

In addition, USF funds should be directed to unserved areas. We are pleased that FCC Chairman Julius Genachowski has already taken important steps to modernize the USF and target support for broadband to areas where the market does not currently support investment.

Moreover, to assure that universal broadband achieves its ultimate goals, Congress and the FCC should develop programs to reduce the primary barriers that prevent millions of Americans who have access to broadband from adopting it: lack of digital literacy and the cost of broadband services. Though broadband is available to 93%¹⁶ of American households, only an approximate 66% currently subscribe.

Adoption rates are lowest among low-income households, creating a digital divide.

7. Streamline permitting and approval processes for jobs rich infrastructure projects.

The permitting systems for infrastructure projects must be streamlined to eliminate duplication and unnecessary delays. (The Council's recommendations on permitting reforms are discussed in the regulation section of this report.) The President's recent Memorandum directing departments and agencies to act on the Council's recommendation to identify high-impact, job-creating infrastructure projects that can be expedited through outstanding review and permitting processes is an important first step¹⁷. The President also announced the creation of a Projects Dashboard, another Council recommendation, which ensures that the details of every project as it moves through the expedited review process are available to the public for input and review.

A NEW ERA FOR ENERGY

New technologies are transforming the global energy business. Therefore, new modes of production, transmission and distribution are needed to maintain America's low-cost energy advantage. As a nation, America needs to be "all-in" on energy, open to a balanced portfolio of innovative solutions for our energy needs. Most reasonable observers understand that our future will entail a simultaneous reliance on older energy sources even as new and cleaner forms of energy become more widespread and economically viable. In this context, getting our energy infrastructure right is now every bit as important as the traditional focus on bridges and highways if we're to capture the business, environmental benefits and jobs at stake. Importantly, most energy investment can be completely funded from the private sector. Three areas require immediate action: energy investment projects; electric transmission siting; and innovative public/private methods of financing advanced energy technologies.

Energy investment projects

While domestic production of oil and gas has been increasing, environmental concerns regarding development have sparked controversy in several areas. Two examples are the pipeline that would transport heavy oil from northern Alberta in Canada to Oklahoma and the Gulf Coast, and the resumption of deepwater drilling in the Gulf of Mexico in the wake of the Deepwater Horizon spill of 2010. Another is the horizontal drilling and hydrofracturing of shale gas supplies (a matter largely governed by state rules), which led President Obama to note that "recent innovations have given us the opportunity to tap large reserves—perhaps a century's worth" of shale gas.

The Council fully recognizes the important environmental and safety concerns surrounding these projects and techniques.

“We need to be ‘all-in’ on energy as a nation—open to a balanced portfolio of innovative solutions”

What’s gotten less attention, however, is the number of jobs at stake. External estimates suggests that these three streams of private investment could together support or preserve hundreds of thousands of jobs in the next few years¹⁸.

The Council is addressing these energy investments specifically because they are controversial. We understand the challenge of developing balanced regulations, but we believe that the jobs and energy security benefits of continuing to exploit these resources require that we tackle these issues head-on. We therefore urge all stakeholders to make extraordinary efforts to strike an intelligent balance that protects people, safety, the environment and our nation’s water supplies while also allowing the economic benefits of these innovations to be realized.

While regulation of this development is primarily a state responsibility, the federal government can play a constructive role as well. For example, on the shale gas question, the shale gas subcommittee of the Secretary of Energy Advisory Board recently issued a promising framework to reduce environmental impacts¹⁹. The group’s interim report charts a path to best practices and continuous improvement in production techniques, increased measurements and disclosures that can build public confidence, and better coordination and communication between state and federal regulators.

As the Advisory Board noted, “The approach benefits all parties in shale gas production: regulators will have more complete and accurate information; industry will achieve more efficient operations; and the public will see continuous, measurable improvement in shale gas activities.”

To take full advantage of our resources and the jobs and energy benefits they provide, the federal government, states and industry must work together. We must start taking on tough energy challenges with a spirit of resolve and cooperation.

Transmission siting reform

According to the North American Reliability Corporation, “transmission permitting and siting reform is considered one of the highest risks facing the energy industry over the next ten years.”²⁰ While most of the energy industry has undergone massive development over the last two decades, the majority of today’s electricity transmission infrastructure is more than 25 years old and has failed to keep up with rapid industry changes. As the U.S. Department of Energy noted in its 2009 transmission congestion study, metropolitan areas in the midAtlantic and western regions of the United States are experiencing major transmission congestion problems that threaten system reliability, while renewable energy development in the regions with the nation’s best resources is being significantly constrained because of a lack of adequate transmission capacity.²¹

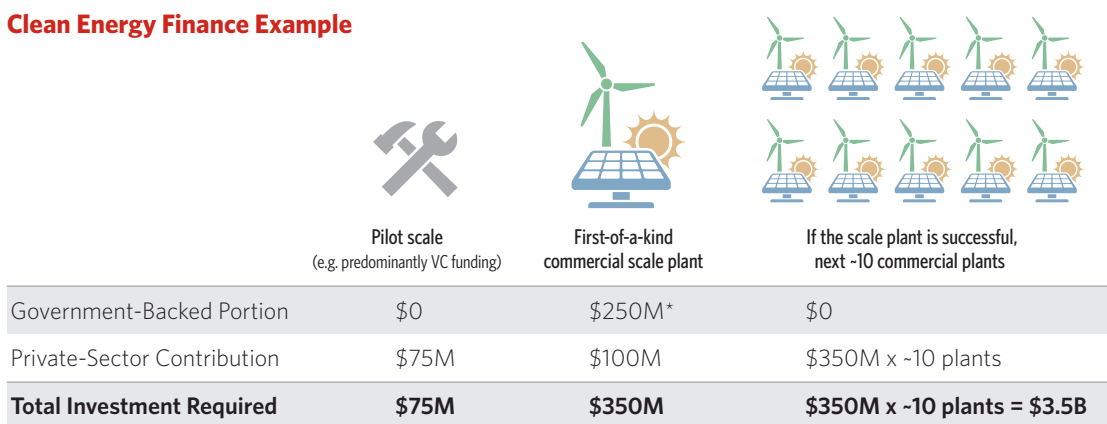
To put the challenge in perspective, there are currently 275,000 megawatts of proposed wind projects in the United States that have applied for and are waiting for transmission access²². By comparison, the entire capacity of the United States’ coal plants is about 315,000 megawatts²³. Unfortunately, only a small fraction of this capacity has the potential of being built under these conditions. The California Public Utilities Commission says one of the chief obstacles in meeting its ambitious target for the use of renewables is the lack of adequate transmission.

The current process for siting (i.e., locating and permitting) a transmission line was established in 1935, when electricity delivery was local in nature. The process relies on dozens of agencies and authorities with different requirements and little coordination. Successfully working through the permitting process can literally take years. For example, a 90-mile transmission line from Virginia to West Virginia took American Electric Power 13 years to site and the American Transmission Company’s 220-mile line from Minnesota to Wisconsin took more than six years.^{24 25}

New merchant generators have added thousands of megawatts to the grid without investing in grid expansion, while new types of energy resources like wind and solar are rapidly being added to the grid as well. What’s more, a large number of old coal-fired power plants are being retired, which will put further pressure on the nation’s electric system.

Additionally, the United States has among the best clean energy resources in the world, but there is a lack of transmission capacity to fully take advantage of these resources. Currently, almost 40% of the energy in the United States comes from clean sources such as renewable energy²⁶. President Obama has laid out a goal to get to an 80% Clean Energy Standard by 2035. Reaching this goal offers an extraordinary opportunity for private investment and job growth—which will not be realized without upgrading the United States transmission system²⁷.

Clean Energy Finance Example



Government financing could leverage private-sector capital when successful.

*Because the government can leverage its capital, the direct investment required would likely be significantly less than \$250M and would be based on the expected default rate of the project and technology.

The Council believes there are opportunities for the executive branch to reform and accelerate the siting process under existing federal law. Consultation with states and interested parties would remain integral to the process. Indeed, reforming the transmission siting process will help create a more reliable and efficient transmission system and bring a number of economic benefits to power providers and consumers.

In order to maintain electric system reliability, improve efficiency and customer affordability, and help facilitate the delivery of power from renewable resources, the Council recommends the following actions:

- Reimplement the transmission siting process under Section 1221 of the Energy Policy Act of 2005; and
- Use the public-private partnership opportunities under Section 1222 of the *Energy Policy Act of 2005* and Section 402 of the *American Recovery and Reinvestment Act of 2009* to develop electric power transmission lines in geographic areas experiencing transmission capacity congestion or constraints or that facilitate the delivery of power generated by renewable energy resources.

These recommendations do not require legislation and can be initiated quickly by presidential order. Previously, they have been authorized by Congress to promote the development of new transmission facilities, reflecting recognition that siting delays are a significant factor holding back investment and fueling congestion in the nation’s transmission grid.

Upgrading and expanding America’s transmission system will create jobs that are driven by private investment. One recent analysis projects that in order to meet transmission requirements, the utility industry and independent transmission providers will need to invest \$12 to \$16 billion annually²⁸. Based on historical investments and assuming current

barriers to project planning, cost allocation and siting can be overcome, that means the industry can likely support 150,000 to 200,000 full-time jobs each year over 20 years²⁹. Additionally, new transmission development will facilitate the development of new renewable energy projects, which have the potential to create hundreds of thousands of additional jobs.

Financing advanced energy technologies

The United States is in a global race to invent, commercialize and manufacture advanced clean energy technologies. However, demonstrating and proving these technologies at commercial scale, a critical hurdle in the innovation value chain, presents significant technical and financial risks.

Advanced energy technologies tend to be highly capital intensive and require deep, liquid financial markets for commercialization. However, current markets face significant uncertainty—tax policy, pollution restrictions, and performance standards are all in flux—and the recent economic turmoil has left already-constrained credit markets thin. As a result, even though our nation has a lead in many technologies, there is an insufficient flow of capital to commercialize new advanced clean energy facilities in the United States. Foreign competitors like China, Canada and the United Kingdom have already put in place targeted, well-funded financing programs to drive their new energy enterprises. Without bold action, the United States risks falling behind its international competitors in the clean energy industry and, thus, losing its leadership position in one of the largest growth industries of the 21st century.

To date, the federal government has taken important steps to address challenges of financing clean energy. The U.S. Department of Energy loan guarantee program has demonstrated how low-cost federal financing incentives can accelerate and deploy advanced technologies and help create jobs. The loan

program has also shown how less than \$2.5 billion in federal funds could catalyze over \$25 billion of capital investment in about 30 energy and manufacturing projects, helping create thousands of jobs³⁰. Building on this success, the United States needs to do more to increase its competitiveness by commercializing advanced energy technologies here at home.

The plain fact is that more than 200 gigawatts of solar energy will be installed by 2020 around the world³¹. In India and China, solar industries are on fire. America must stake out a leadership position in clean energy. With our competitors on the move, the Council believes the country should establish an independent, full faith and credit-backed government financing institution to mobilize the private sector in accelerating advanced energy technologies in support of U.S. national security, environmental, and competitiveness objectives. Such an institution should be charged with catalyzing private sector investment in a number of

promising, commercial-scale clean energy technologies in order to overcome capital market hurdles and bring new technologies to market.

Creating a new financing institution could boost and maintain annual energy investments to the \$30 billion or \$40 billion required for the United States to play a global leadership role³². Because the federal government can uniquely leverage its resources and credit through loan guarantees and other financing tools, a new targeted, energy financing institution funded with \$1 billion to \$2 billion per year in appropriations could unlock on the order of \$10 billion to \$20 billion in financing assistance and leverage additional private sector investment, which could support United States leadership in this emerging industry and help create thousands of good-paying jobs³³.

A new clean energy financing institution should have significant independence, deep technical capabilities, and financing and hiring flexibility. It must also be well capitalized initially and should operate transparently and at market speed. Although a new institution could be designed from scratch, currently the U.S. Senate has proposed creating a new financing institution—the Clean Energy Deployment Administration (CEDA)—that incorporates the design elements described here. With adequate funding, CEDA would fill the financing gap associated with first commercial-scale energy technologies, help commercialize the advanced energy technologies needed to spur domestic competitiveness and economic growth, and propel the United States to a leadership position in clean energy.

Early analysis suggests that a new institution that supports the domestic build out of advanced energy technologies could increase employment by more than 100,000 jobs for the duration of the program³⁴. U.S. leadership in these technologies would support more rapid job growth as the United States exports these technologies to rapidly growing global markets.

In short, a new government-backed financing program, focused on accelerating the deployment of and competition among new technologies, could play a significant role in establishing U.S. market leadership in advanced energy technologies. ✪

THE COUNCIL IN ACTION: HOW ENERGY EFFICIENCY CAN POWER JOBS

The Better Buildings Challenge (BBC) is part of the Better Buildings Initiative (BBI) that President Obama launched in February to catalyze private sector investment in commercial building upgrades. The goal is to make America's commercial buildings 20 percent more efficient over the next decade, which would save businesses an estimated \$40 billion per year. Independent analysis suggests that more than 114,000 jobs could be supported by the initiative³⁵.

Earlier this year, the Administration announced initial BBC commitments from fourteen building, financial, and community leaders that totaled more than 300 million square feet of real estate and \$500 million in financing for energy upgrades. The first fourteen leaders to join included Best Buy, Green Sports Alliance, USAA Real Estate Company, Transwestern, and Lend Lease; financial allies included Citi, Green Campus Partners, Transcend Equity, Abundant Power, Metrus Energy, and Renewable Funding; and the cities of Atlanta, Los Angeles, and Seattle.

Some Challenge members are already breaking ground on projects that will put people to work. Council members are helping to expand the Challenge to more companies and communities, with the goal of significantly increasing the amount of commercial real estate and financing commitments throughout the Fall. These efforts will help put engineers, architects, manufacturers and construction professionals back to work.

INITIATIVE 2

Nurture the High-Growth Enterprises That Create New Jobs

Over the last three decades, young firms less than five years old have created 40 million new jobs, according to a series of recent studies of U.S. labor data³⁶. Those 40 million jobs actually account for all net new jobs created in the United States over that period³⁷. Contrary to popular belief, aggregate employment among big corporations and small businesses is relatively steady on an annual basis. While these large and small firms are an integral part of the overall employment picture,* young firms are the most powerful engine of jobs growth.

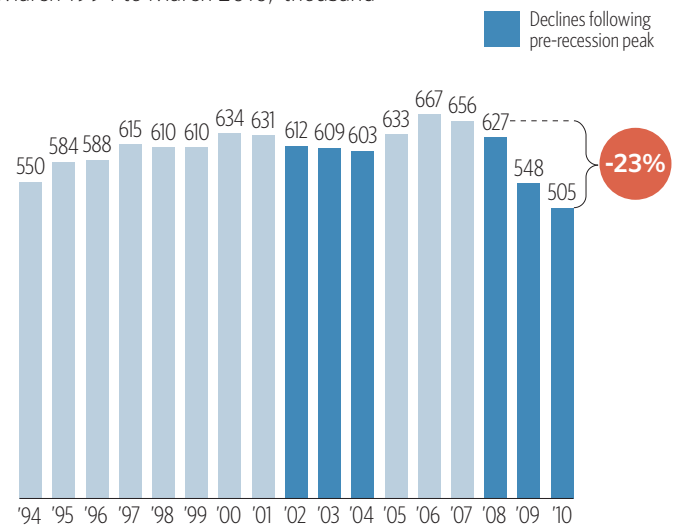
Dig further into the data and we find that among young firms there is a critical subset of high-growth businesses sometimes referred to as “gazelles,” firms that double their revenues and employment every few years. These high-growth entrepreneurial companies account for an average each of 88 new jobs a year and are found in all sectors and regions, not just high-tech firms in Silicon Valley³⁸. It is worth remembering that Fortune 500 companies like Boeing, FedEx and Apple all began as start-ups that grew into high-growth businesses in relatively short order.

Indeed, the story of America is in many ways the story of entrepreneurship. The United States did not become the leading economic power in the world by accident. Our emergence was the byproduct of the innovative companies that were built in America. Entrepreneurship has been the “secret sauce” that has led to America’s economic leadership in the world. A country that started with the “Yankee ingenuity” of its settlers evolved over the past two centuries to become the most entrepreneurial nation on Earth—and that entrepreneurial zeal has long been the envy of the world.

Over the past decade, however, the environment for these high-growth businesses to grow and thrive has become

Number of Private-Sector Establishments Launched

March 1994 to March 2010,¹ thousand



The United States would have 1.8 million more jobs had the 2007 rate of start-ups continued.

1. Calculated using U.S. Bureau of Labor Statistics Business Employment Dynamics data set. The annual total indicates the number of businesses less than one year old that were in existence in March of that year. Source: U.S. Bureau of Labor Statistics; McKinsey Global Institute

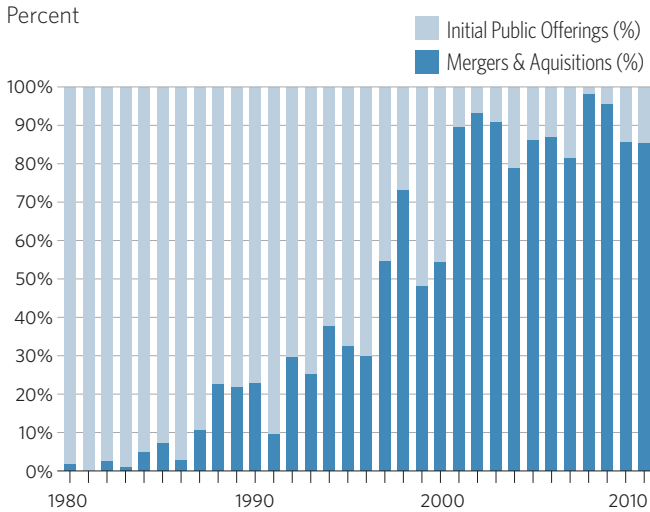
increasingly unfavorable. For example, in the past three years the number of new businesses launched each year has fallen by an unprecedented 23%³⁹. There were fewer venture-backed IPOs in 2008 and 2009 than in any year since 1985⁴⁰. Moreover, the share of IPOs smaller than \$50 million fell from 80% in the 1990s to 20% in the 2000s⁴¹. Optimism among entrepreneurs has fallen to its lowest level in years, according to polling data. And the firms being formed are adding fewer jobs on average than they were in previous decades. In fact, if

* Multinational companies also play an outsized role providing employment in the United States economy. Despite accounting for 1% of all U.S. firms, MNCs account for 22.4% of all U.S. jobs.

Innovation Ecosystem



Mergers and Acquisitions vs. Initial Public Offerings



Source: Thomson Reuters/National Venture Capital Association

we had maintained the same level of start-up activity that we witnessed in 2007, we would have nearly two million more jobs than we do today⁴².

This must change. If the United States is going to grow its labor force and sustain that growth over the long-term, government must foster an environment in which entrepreneurs can create high-growth companies that succeed in a global economy.

The Administration, Congress and the private sector must rally around a comprehensive entrepreneurship agenda. The Council has surveyed a range of policy proposals that relate to entrepreneurship from a wide variety of experts: academics, economists; political leaders on both sides of the aisle at the federal, state and local level; business leaders; serial entrepreneurs; workers; labor leaders and others. We have identified a series of steps that can be taken to jumpstart innovation and job creation. Unleashing the next era of entrepreneurship will ensure our nation remains competitive in an increasingly interdependent world.

Our work suggests there is no single solution. We need a comprehensive, multi-sector, multi-year commitment to an entrepreneurship agenda. To that end, the Council recommends that Congress improve the environment for startup firms to

flourish; that the Administration take several related actions immediately; and that the private sector redouble its efforts to support the next generation of entrepreneurial companies.

WHAT CONGRESS SHOULD DO: Build bipartisan support for reforms that will unleash the next wave of American entrepreneurship

Congressional action is essential to get America’s entrepreneurial growth engine going again. We recognize that the current political climate is challenging, but our work suggests this is an area ripe for bipartisanship. We call upon both parties to make new laws aimed at helping startups a top priority.

The key components of a legislative solution include: ensuring America wins the global battle for talent; expediting the process of high-growth companies going public; expanding investment capital for early stage start-ups as well as later stage growth companies; and lowering regulatory burdens on small businesses.

Immigration: Win the global battle for talent

Some of the most iconic American companies now employing hundreds of thousands of workers—Google, Intel, Yahoo! and Home Depot—were started by immigrant entrepreneurs or the children of immigrant entrepreneurs. Unfortunately, today many of the foreign students completing a STEM degree at a U.S. graduate school return to their home countries and begin competing against American workers. The United States must encourage the world’s most talented workers to start businesses or help grow existing firms here in the United States. Our success may well be found in the answer to one question. Will the next generation of great companies be started in China and South Korea—or will existing barriers to entry be modified so foreign-born entrepreneurs can create those companies in California and South Carolina?

Bottom line: Highly skilled immigrants create jobs, they don’t take jobs. And in a competitive and interdependent 21st

century economy, we must attract these entrepreneurs to the United States.

Almost all members of the Council propose:

- Granting automatic green cards or provisional visas to *all* foreign students after they earn a STEM degree from a U.S. university;
- Establishing a new provisional visa program for immigrant entrepreneurs;
- Fully implementing within two years the August 2011 immigration initiatives regarding EB-2, H-1B, EB-5 and E13 categories, primarily around speeding up the process for making visa decisions; and,
- Increasing, by a factor of at least four, the number of entrepreneurs from other countries allowed entry into the United States, mainly through expansion of the EB-5 program.

We are sympathetic to the political sensitivities around the topic of immigration reform. But when it comes to driving job creation and increasing American competitiveness, separating the highly-skilled worker component is critical. We therefore call upon Congress to pass reforms aimed directly at allowing the most promising foreign-born entrepreneurs to remain in or relocate to the United States.

Initial Public Offerings: Reduce regulatory barriers and provide financial incentives for firms to go public

Accessing public capital markets is a critical step for high-growth firms transitioning from early to later stages of development. Not only are public markets a traditionally leading source of financing, but once that financing is secured research indicates that 90% of job creation for public firms occurs after they go public⁴³. Lowering the barriers to and cost of initial public offerings (IPOs) is critical to accessing financing at the later stages of a high growth firms' expansion. Yet, in the aftermath of the dot-com bubble and unintended consequences stemming from the Spitzer Decree and Sarbanes-Oxley regulations, the number of IPOs in the United States has fallen significantly. This is especially true for smaller companies aspiring to go public.

As noted earlier, the share of IPOs that were smaller than \$50 million fell from 80% in the 1990s to 20% in the 2000s⁴⁴. Well-intentioned regulations aimed at protecting the public from the misrepresentations of a small number of large companies have unintentionally placed significant burdens on the large number of smaller companies. As a result, fewer high-growth entrepreneurial companies are going public, and more are opting to provide liquidity and an exit for investors by selling out to larger companies. This hurts job creation, as the data clearly shows that job growth accelerates when companies go public, but often decelerates when companies are acquired. Thus, to stimulate the IPO market and spur more

job creation, nearly all members of the Council recommend that Congress take the following actions:

- Amend Sarbanes-Oxley (SOX) to allow shareholders of public companies with market valuations below \$1 billion to opt out of at least Section 404 compliance, if not to all of the requirements, of Sarbanes-Oxley; or, alternatively, exempt new companies from SOX compliance for five years after they go public.
- “Right size” the provisions in the Spitzer Decree and the Fair Disclosure Act to lessen the burdens on high growth entrepreneurial companies.

The Council, in conjunction with other groups working in this area, believes these reforms can help ensure that high growth entrepreneurship will again flourish in the public markets.

Capital: Enhancing access to capital for early stage start-ups as well as later stage growth companies

The challenging economic environment and skittish investment climate has resulted in investors generally becoming more risk-averse, and this in turn has deprived many high-growth entrepreneurial companies of the capital they need to expand. As a result, they are growing their workforces more slowly than they would if they had better access to capital. Therefore, the Council recommends enhancing the economic incentives for investors, so they are more willing to risk their capital in entrepreneurial companies.

Incentivize Investment in Start-ups

One of the most significant obstacles to starting or expanding a young company is access to financing. Nearly all Council members recommend several reforms that will incentivize earlier stage investment and provide firms with more growth capital, which, in turn, will lead to more job creation. First, we recommend Congress eliminate capital gains taxes on investments of \$25 million or less in a privately held company so long as that investment is held for at least five years. This will encourage investment as well as encourage investors to take a longer-term horizon, giving young companies time to blossom. Second, we recommend Congress reduce taxes in the first three years of a company's existence, so the entrepreneur can use that cash to fund growth and expansion. Specifically, we recommend embracing the National Advisory Council on Innovation and Entrepreneurship's proposal that there be no corporate income tax in year one, and a 50% reduction in corporate taxes in years two and three⁴⁵.

Incentivize Investment in Later Stage Growth Companies

Once companies move out of the “start-up” phase the opportunity for job growth accelerates. At this stage, companies have typically figured out how to offer a compelling product or service, and the pace at which they grow their business—and their work force—is often dependent on their ability to obtain capital

to grow. The most sustainable solution is usually taking the company public. As noted earlier, however, young companies are now much less likely to go public. Some of this relates to regulatory issues, but another factor is the ability of young emerging companies to attract the attention of public investors. We recommend establishing a 10% capital gains rate for investors who buy stock in companies in the first six months after they go public, and hold the stock for at least three years. This would provide additional incentive for investors to fund the growth plans of entrepreneurial companies in this critical growth stage—and it would also encourage investors to adopt a “buy-and-hold” strategy that is particularly important for these younger companies. When investors are given solid reasons to take a longer-term view, high-growth entrepreneurial companies can invest to maximize growth over a longer-time horizon—and that, in turn, will maximize job growth as well as tax revenues over the longer run.

WHAT THE ADMINISTRATION SHOULD DO: Take immediate administrative actions that help entrepreneurs grow and create jobs

While it is critical that Congress pass the entrepreneurship reforms outlined above, the Council has identified a number of areas where the Administration should take action now to make it easier for high growth entrepreneurial companies to flourish.

Patent Reform: Make it easier for entrepreneurs to get answers faster

The recently passed Patent Reform Act sets the stage for a new patent system. Many aspects of this act have the potential to be positive for companies, but there are concerns among many entrepreneurs that, as written, the act advantages large companies and disadvantages young entrepreneurial companies with fewer resources. Therefore, as the Administration puts the act’s provisions into place, the Council recommends taking specific steps to ensure the ideas from young companies are handled appropriately.

Specifically, we recommend increasing the patent office staff to handle the demand; hiring a dedicated team of employees at the patent office to work with small companies; allowing an expedited review of “in-market” patents; and implementing an annual monitoring program to ensure young companies are not harmed by the “first-to-file” rules. The patent office should also make adjustments, as needed, if there is evidence that the patent reforms are slowing the expansion possibilities for high-growth entrepreneurial companies.

SBA Financing: Streamline access, so more high-growth companies get the capital they need to grow

The Small Business Administration (SBA) has provided early funding for a wide range of American companies,

including Apple, Costco, FedEx, Staples, Intel, Quiznos, and Under Armour. While the private sector must play the lead role in financing entrepreneurial companies, the SBA’s programs can reduce risk for lenders and investors, and thus increase the flow of growth capital. The SBA has already taken steps to increase awareness of its financing options and streamline the application process. Nevertheless, the Reducing Barriers roundtables the SBA conducted around the country earlier this year identified a number of potential areas for improvement.

We recommend that the Administration take action to streamline and shorten application processing with published turnaround times, increase the number of full time employees who perform a training or compliance function including those dedicated to growth counseling, and expand the overall list of lending partners. Additionally, we request that Congress permanently affirm and fully authorize Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) funding for the long term, rather than for short-term re-authorizations, and consider offering smaller, simpler credits (e.g., microgrants).

Finally, there is broad consensus that a key step towards jump-starting economic growth would be removing regulatory barriers and simplifying overly complex government processes. Their inefficiencies cost businesses time and money. The Administration has made some positive strides. For example the Department of Commerce has improved the speed at which it pays bills to businesses, and a number of government agencies have already removed hundreds of pages of forms that are unnecessary. But the Council believes that more should be done, including a mandate that agencies post their turnaround times online for public review, and the creation of a “one-stop-shop” for owners through an online portal of all government needs (Other reform ideas are discussed in the “Initiative 4: Simplify regulatory review and streamline project approvals” section of this report.)

Getting Started: Expand seed/angel capital

Most entrepreneurs do not rely on banks or venture capitalists to get started; friends and family provide the initial seed capital. Recently, there has been the emergence of “angel” investors and networks that have also played a crucial role in the initial funding for companies. The Council recommends clarifying that experienced and active seed and angel investors (and their meeting venues) should not be subject to the regulations that were designed to protect inexperienced investors. We also propose that smaller investors be allowed to use “crowd-funding” platforms to invest small amounts in early-stage companies. Additionally, we embrace the National Advisory Council on Innovation and Entrepreneurship recommendation that accredited angel group investors receive a 30% refundable tax credit⁴⁶. Similar adjustments made in other countries have resulted in a significant uptick in the rate of early-stage startup investment.

Research: Enhance commercialization of federally funded research

The government continues to play a crucial role in investing in the basic research that enables America to be the launch pad for new industries. The Internet, for example, was made possible by government investments nearly a half-century ago. As companies cut back on their basic research budgets, the need for the government to vigorously fund the research to enable the next generation of businesses becomes all the more critical. However, the Council has concluded that the Administration needs to do more to build bridges between researchers and entrepreneurs, so more breakthrough ideas can move out of the labs and into the commercialization phase. This is true not just at government agencies, but also at national labs and at the universities that get significant federal funding for their research. Building on successful programs like the Department of Energy’s program and Oak Ridge would be a good start. Adopting the “lab-to-market” recommendations of the National Advisory Council on Innovation and Entrepreneurship (NACIE) would also be a step forward⁴⁷. Lastly, the Administration should test an “open-source” approach to tech transfer and commercialization.

Talent: Address talent needs by reducing student loan burden and accelerating immigration reforms

Our research indicates that a large number of recent graduates who aspire to work for a start-up or form a new company decide against it because of the pressing burden to repay their student loans. This has a direct and negative impact on job creation. Younger, newer firms tend to be founded by younger entrepreneurs and populated with younger workers. Moreover, we believe that if a student has taken out loans and graduated on time, he or she deserves the chance to take a risk at a new firm. The Council therefore recommends that the Administration promote Income-Based Repayment Student Loan Programs for the owners or employees of new, entrepreneurial companies. Additionally, as it relates to addressing talent needs, we recommend that the Administration fully—and rapidly—implement the August 2011 immigration initiatives regarding EB-2, H-1B, EB-5 and the E13 visas. It is critical that the Administration speed up the process for making visa decisions so that talented, foreign-born entrepreneurs can form or join startups in the United States. Delays all too often result in these talented people opting to start or join companies in other countries, where they will compete against American firms.

WHAT THE PRIVATE SECTOR SHOULD DO: Lead the way in backing the next generation of American entrepreneurs

While Congress and Administration action can take the steps outlined here to dramatically boost entrepreneurship in the United States, ultimately the private sector must lead

“The United States did not become the leading economic power in the world by accident—it was the byproduct of the innovative companies that were built in America.”

in creating and expanding the companies that will drive economic growth and create jobs. The private sector cannot sit on the sidelines, or wait for all the necessary entrepreneurship reforms to be put in place. The private sector must lead. To that end, the Startup America Partnership was formed in January to mobilize resources to help entrepreneurs and build up entrepreneurial ecosystems in regions across the country. These early efforts are building momentum. The Business Roundtable, the U.S. Chamber of Commerce and other influential business groups have also indicated a willingness to take steps to support the next generation of entrepreneurs. The Council believes the key steps the private sector should take include:

Regional Ecosystems: Foster regional ecosystems of innovation and support growth of startup accelerators

While entrepreneurship is America’s “secret sauce” and the envy of the world, the entrepreneurial culture and supportive ecosystems are not evenly spread throughout our nation. In the technology sector, for example, California’s Silicon Valley continues to dominate, much as Detroit has dominated our automobile sector for the past century. There is a significant opportunity to build stronger entrepreneurial ecosystems in regions across the country—and to customize each to capitalize on their unique advantages. To that end, the private sector should foster regional ecosystems of innovation-friendly environments and support growth of startup accelerators by scaling up in at least 30 cities the efforts of groups like the Startup America Partnership that are aiding vital networking connections (e.g., roundtables and workshops). Private entities should also invest in at least 50 new incubators nationwide and big corporations should link up with start-ups through corporate “hotlines” with dedicated staff who can advise entrepreneurial companies during their nascent stages.

Networking: Bring together investors and entrepreneurs, particularly from neglected geographic areas

To expand regional ecosystems, it will be vital to lift up parts of the country that traditionally go unnoticed but which possess the ingredients for success. Companies in these regions should be encouraged to sponsor events like Startup Weekends.

Mentorship: Expand programs to help entrepreneurs

Research consistently shows that a key element of successful enterprises is active mentorship relationships. These relationships form the core of most accelerators and incubators. Yet, if young companies do not have the benefit of being part of an accelerator, they often struggle to find effective mentors to coach them through the challenging early stages of starting a company. Therefore, we recommend working with existing private sector networks to create, expand and strengthen mentorship programs at all levels.

Commercialization: Allow university faculty to shop discoveries to any technology transfer office

America's colleges and universities, funded with federal dollars, have produced many of the great breakthroughs in clean energy, information technology, biotechnology and nanotechnology that have led to new industries and jobs across the country. However, all too often potentially groundbreaking research that could find market success lingers in university labs.

The Council recommends allowing research that is funded with federal dollars to be presented to *any* university technology transfer office (not just the ones in which the research has taken place). Additionally, we recommend adding successful entrepreneurs to university academic staffs on 25 campuses nationwide; incentivizing the creation of 15 additional entrepreneurship centers like the University of Michigan's Center for Entrepreneurial Studies; and winning commitments from 25 universities in the next 12 months to use an "open-source" approach for researchers with government funding.

Over the past two centuries, America's economic vitality has been tested repeatedly. But at every key juncture, the ingenuity, creativity, and sheer resilience of America's entrepreneurs have uplifted our nation and inspired the world. As America faces economic headwinds yet again, our nation must once again look to entrepreneurs to create the companies that will help the nation bounce back and help put Americans back to work. If Congress, the Administration and the private sector embrace these recommendations, and commit to working together to put them into action, our nation will be better positioned for the 21st century, and we will usher in the next wave of American growth and vitality. ✪

The Council recommends the following initiatives to help spur renewed entrepreneurship:

Administration-led ideas

- **Modernize patent system** to reduce the average delay in patent processing times, and reduce lawsuits; provide patent filing help for entrepreneurs.
- **Incentivize match for private investments** in SBA Early Stage Innovation Fund.
- **Increase use of SBA** financing particularly SBIC, SBIR (including requesting Congress to fully authorize) and STTR through streamlining, shortened application time, education, expanded list of lending partners, expanded growth counseling.
- **Expand seed investment and angel capital** e.g., refundable tax credits in Qualified Small Businesses (QSB), crowd funding, shared costs and due diligence.
- **Improve commercialization opportunities** for federally funded research.
- **Lower regulatory burden** by simplifying and speeding up government processes.
- **Address talent needs** by reducing student loan burden and accelerating immigration reforms.

Congress-led ideas

- **Address talent needs** by establishing new provisional visa program for immigrant entrepreneurs and providing automatic green cards or provisional visas for STEM graduates.
- **Lower regulatory burden** on small business, while maintaining regulatory protection, e.g., by allowing adjustment periods for growth related regulations, passing legislation needed to change the most burdensome of government processes.
- **Reduce regulatory barriers** to IPO for small businesses, e.g., requirements of Spitzer Decree, Sarbanes Oxley, Dodd Frank, 500 Shareholder, Extend 144A.
- **Establish incentives to stimulate IPOs:** Sustain extension on capital gains exclusion for SB, 10% capital gains rate for IPO purchasers and investors, extend rollover period on QSB capital gains to 9 months, sustain current capital gains level.
- **Incentivize broader investment in early-stage firms.**

Private sector-led ideas

- **Foster regional ecosystems of innovation** and support growth of startup accelerators.
- **Create intermediary mentorship programs** and growth counseling to foster entrepreneurs.
- **Systematically bring together investors and entrepreneurs** particularly from neglected geographic areas.
- **Allow university faculty to shop discoveries** to any technology transfer office, other than solely to their own university's technology office.

INITIATIVE 3

A National Investment Initiative

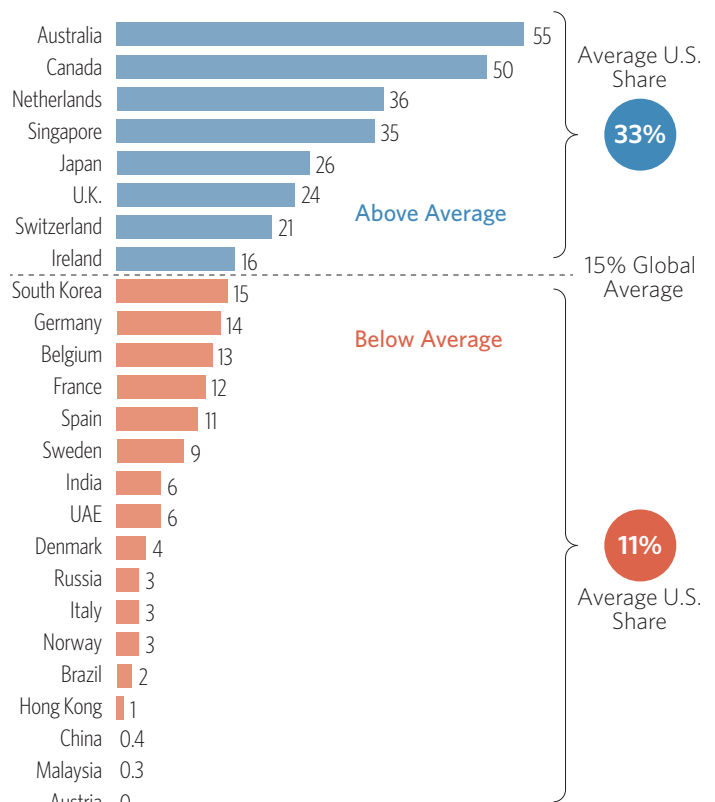
Some truths are so self-evident that it's easy to forget them. Like this one: the United States became the largest economy in the world by being the best place for companies to invest and grow. Yet the little-noticed truth is that we've lost substantial market share in global investment in recent years—partly because it's a more competitive world out there, and partly because we've been resting on our laurels and not making the special effort other nations do to attract new investment from leading firms. If we get serious and take action, and also take advantage of the shifting economic equation that can now tilt more investment decisions in our favor, there's every reason to think we can recapture this share of global investment and the jobs that come with it.

A few facts make clear what's at stake. U.S.-based multi-national companies (MNCs)—particularly those in the tradable sectors which can locate operations elsewhere—are a powerful force for jobs and growth. MNCs headquartered in the United States account for 17.8% of total U.S. employment and contribute 70% of R&D, 44% of exports and 29% of total capital investment⁴⁸. Global companies headquartered elsewhere, once here, also make significant economic contributions. While subsidiaries of foreign-owned companies represent less than 1% of all U.S. firms, they account for nearly 5% of private sector jobs, 11% of capital investment, 14% of R&D and 18% of goods exported⁴⁹. And their jobs pay an average of \$71,000—about one-third more than the economy-wide average⁵⁰.

Reversing the erosion in our leadership as an investment destination in recent years now presents a major jobs opportunity. In the late 1990s, the United States attracted nearly 26% of global foreign direct investment (FDI), but that figure has dropped roughly a third, to about 18%, today⁵¹. At the same time, jobs in the tradable sectors, where firms are likely to invest, underperformed the rest of the economy from 1990 to 2008, contributing only 2% of jobs growth over that period, according to economist Michael Spence⁵².

U.S. Share of FDI Outflows

Percent, 2005-2009



U.S. share of FDI from many emerging markets is below its global average.

1. U.S. incremental share of 2.5% from above average countries, and 5% from below average countries.
 2. U.S. incremental share of 5% from above average countries, and below average countries brought up to 15% global average.
 Source: OECD

“Part of our problem is attitude. At the national level, our efforts to attract investment from the world’s best companies aren’t serious today.”

Changing economics, however, give the United States a chance to regain this lost market share. In both manufacturing and services, recent studies by the Boston Consulting Group and McKinsey find that the United States is rapidly closing the cost gap between low-cost U.S. locations and off-shoring centers⁵⁵. These and other studies have found that, as wage rates and other costs rise abroad, companies are seeing anew the advantages of locating in the United States. The typical hourly wage gap between the United States and China has fallen and is expected to narrow further. Both China and India are projected to experience 18% and 11% wage inflation respectively each year for the next five years⁵⁵. On top of skyrocketing wages, the cost to transport goods from these locations has also increased and become more volatile. From October 2009 to October 2010, for example, ocean freight prices to the West Coast from China rose an average of 66%⁵⁶. Real estate prices have surged as well. Throughout China, for example, industrial rents rose 16% in 2010⁵⁶.

By capitalizing on these shifts in costs with a more aggressive marketing of America’s attractiveness as an investment destination, the United States has an opportunity to recapture lost market share and grow jobs previously lost in the tradable sectors. How big might the prize be? A new report from the Boston Consulting Group suggests that up to 3 million jobs could be created by this trend of locating operations in the United States by 2020⁵⁸. The Council calls for a National Investment Initiative to capture this opportunity and to increase global investment to the United States.

Any effort to boost investment here needs to start with a clear-eyed look at why our share of global investment has fallen off. Economic trends and financial crises have certainly played a role, but the bigger factor is that competition for FDI is stiffening. While countries around the world aggressively court foreign investment as a matter of national strategy, the United States just hasn’t thought that way.

Consider this: The island nation of Singapore spends more than \$500 million a year on personnel and programs to attract foreign investment and boasts an investment promotion staff of more than 500 people—many of whom are located in offices across the United States⁵⁹. Similarly, Germany Trade and Invest, the investment promotion arm for Germany, employs more than 300 people in 48 offices around the world⁶⁰. By contrast, the recently created SelectUSA

program—meant to be an American version of these countries’ investment promotion offices—is comprised of four people at the Commerce Department, with a lesser budget. To be sure, some states do a good job luring foreign investment, but they’re generally competing against each other in a zero-sum game. It’s time to boost the overall “deal flow” America sees as a nation. And let’s face it: At the national level, our efforts to attract investment from the world’s best companies simply aren’t serious today.

Public attitudes also play a part. The outcry in the past over large announced investments in the United States has raised flags for future global investors, particularly those with state links. For example, after its unsuccessful bid for Unocal in 2005, CNOOC, the major Chinese oil company, did not seek another large deal in the United States until 2010. Chinese companies alone have \$100 billion invested abroad, very little of which comes to America⁶¹. As companies and wealthy investors from emerging markets look beyond the natural resources of Asia and Latin America for investments higher up the value chain in Europe and the United States, we need to change current perceptions of the U.S. political and regulatory environments around foreign direct investment in order to attract our share. The first step is rolling out the welcome mat.

Fortunately, America has a host of advantages that can be freshly marketed to promote such inward investment and encourage global firms to expand or deepen their investment and job creation here. Our workforce is among the world’s most talented; and even as other nations dramatically increase their production of engineers, ours remain of an internationally competitive caliber. In addition, with our excellent system of intellectual property (IP) and information protections, companies that locate innovative or proprietary processes in the United States have a much lower risk of losing their own competitive advantages through IP theft. Locating in the United States also gives companies privileged access to the world’s largest source of final demand. For manufacturers, this means close proximity to customers and infrastructure networks; for services, a highly productive workforce capable of navigating cultural connections and complex problems. Finally, with industrial electricity costs in places like China now 42% higher on average than in the United States, energy-intensive industries have natural reasons to locate within our shores⁶².

The National Investment Initiative (NII) is comprised of a series of proposals aimed at making the United States a more attractive place to invest. The effort would be modeled on the National Export Initiative, which is already making great progress toward the goal of doubling exports in five years, with the leadership and support of the President’s Export Council. The primary goal we propose for the NII is to attract one trillion dollars of foreign direct investment over the next four to five years, which would be a 20-25% increase over recent trends.

By marrying other Council recommendations to improve America as a place to do business with a much more sophisticated national capability to lure investors, we can achieve this goal.

Key recommendations

- **Leverage Local Advantages through Innovation Investment Zones.** Investment zones and clusters can build up on positive interaction effects to make the location equation work for investors. The Jobs Council recommends leveraging advantages locally through the creation of “Innovation Investment Zones.” Located near major universities, these zones would offer a unique environment for companies to do business and create jobs. Zones could magnify economic activity and benefits through leading edge tech transfer practices as well as competitive tax policies.
- **Set up partnerships** between U.S. companies and the federal government to attract businesses in their supply chain to invest in America.
- **Dramatically upgrade the capabilities of SelectUSA**—which is the federal point of contact for companies looking to invest in the United States—and expand the role, responsibilities, and training of the hundreds of Commercial Service officers we deploy worldwide to promote not only exports but investment in the United States.
- **Improve coordination** between a supercharged (and possibly rebranded) SelectUSA and individual states so we can compete with foreign governments who are investing heavily in attracting FDI. A world class investment promotion agency serving as an investment “concierge” that directs interested investors to appropriate federal and state resources while streamlining the process of gaining the

approvals to invest, would put the United States on par with the best efforts of other countries such as Singapore.

- **Improve our visa policies** to allow companies that invest and create here to more easily bring high-skilled workers to our shores (discussed elsewhere in this report).
- **Explore tax reforms** that would increase the competitiveness of companies that locate in the United States.

As we build these new muscles, we need to bear in mind that the sources of foreign investment are also shifting. Currently, more than 90% of FDI into the United States comes from Europe, Canada and Japan. Less than 2.5% comes from China, Brazil and India, combined⁶³. Rapid growth in these developing countries is creating a new generation of world-class companies—think Wipro, or Tata, or Infosys. As they expand abroad, we need to make America their destination of choice. To bolster our appeal we will also need to address broader tax and regulatory policy reforms. (The Council will address these issues in its year-end report on the fundamental factors influencing American competitiveness.)

It’s worth remembering that the United States still boasts tremendous competitive advantages. Among other benefits, we offer companies access to the largest economy in the world; a culture of innovation, outstanding institutions of higher learning; leading intellectual property protections and superior quality of life. But to win with these advantages in the global economy of the 21st century, we need an aggressive strategy to compete for the investments and jobs of the future. The National Investment Initiative can bring focus and energy to such a strategy. ✦

HOW SINGAPORE DOES IT

How did a small island nation with 4.8 million people earn its first-place ranking in the World Bank’s competitive listing of ease of doing business? One reason: Singapore’s leaders, recognizing that foreign trade and investment are matters of national necessity, set investment attraction as a matter of national priority. As a result, Singapore leads the world in investment promotion best practices.

Singapore’s leaders set investment attraction as a matter of national priority, routinely holding meetings between prime ministers and investing CEOs. Since 1961, Singapore’s Economic Development Board has been responsible for maintaining a clear strategic focus on investment promotion and laying the long-term foundations for competitiveness through national talent and infrastructure policies.

Fully resourced, the EDB has 500 employees, including 100 spread across 19 international offices, and a budget worth approximately 0.2% of GDP.

Each year the EDB conducts a strategic review assessing Singapore’s ability to attract investment from targeted sectors based on its country’s talent pool, location, and research strengths. To augment these strengths, the EDB funds trainings to prepare Singaporeans for the talent needs of investing multinational companies and promotes infrastructure projects that ease business operations in the country. In addition, the EDB advises other government agencies on how to make their operations more business friendly—contributing to Singapore’s Number 1 ranking in the World Bank’s competitive listing of ease of doing business.

Finally, the EDB serves as a central portal that eases the process of navigating government information and regulatory process. The EnterpriseOne Portal provides a centralized on-line resource on all government policies and resources pertaining to investing businesses. EDB staffers also help multinational companies locate land in business parks and they provide fast-track support for visas and other permitting needs.

As a result of Singapore’s best in class investment promotion efforts and exceptionally competitive business environment, in 2009 it had a net stock of \$485 billion Singaporean dollars of foreign direct equity investment or approximately \$100,000 Singaporean dollars of direct equity investment per Singaporean (1 USD equals about 1.30 Singapore dollars).

INITIATIVE 4

Simplify Regulatory Review and Streamline Project Approvals

The Council applauds the Administration's current efforts to streamline existing regulation, but we need to do much more. Intelligent regulations are essential to protect Americans and set a level playing field for competition. Yet sensible rules should never morph into bureaucratic nightmares of delay, duplication and complexity. To make the United States competitive and to speed the creation of jobs already in the pipeline, we need to adopt global best practices to streamline approval processes and use common sense metrics to measure progress. The key is vigilance and persistence. Regulatory reform can't be a fad or a flavor of the month. Real change won't come with a one-off push. It will take a relentless, institutionalized effort with the Administration, civil society, and private sector working in tandem. To date, the Council has taken a forward-looking approach, focusing on several substantial areas where real progress can be made, as well as some targeted areas where immediate impact was possible.

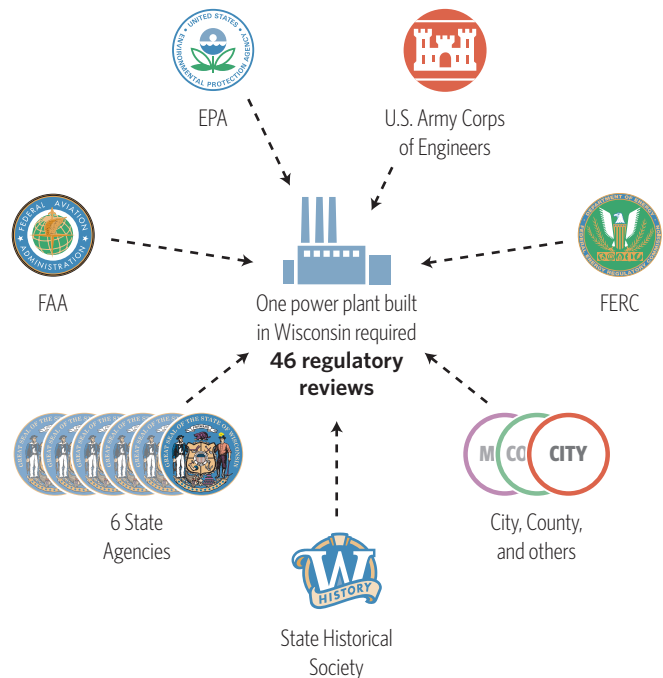
CREATING SUBSTANTIAL CHANGE

Our efforts to achieve broad strategic change have focused on two areas: overall process reform for permitting in the United States and ideas to improve the work of the Independent Regulatory Commissions. The Council believes job creation can be accelerated if the following broad areas of regulatory reform are made a priority:

Reform permitting processes to accelerate job creation.

The current system for permitting and approving job-creating projects, which involves federal, state and local agencies, can lead to delays, litigation, and inconsistent standards. This is true of transportation projects in particular. "I think we've been rated 27th at this point in the speed of actually being able to construct something," President Obama noted at the

Example of Current Regulatory and Permitting Requirements



Current lengthy and complicated regulatory processes hinder jobs creating infrastructure projects.

Source: RFF "Reforming Permitting"; expert interviews

meeting of the Council in June. “Now that’s not very good. I think there’s a way for us to maintain our environmental standards, make sure that communities that are being affected by construction have a voice, but not just have layer upon layer of bureaucracy that is slowing projects up.”

We agree. And the good news is that stasis is not inevitable. For example, New South Wales, Australia’s most populous state, has received international recognition for streamlining its permitting processes with broad stakeholder support. (See “It CAN Be Done: How Australia Sped Up Permitting Time”) Other countries have made strides as well. The Council has proposed and is working closely with the Administration on improving the federal permitting process. The thrust is to give stakeholders visibility into the process, deliver timely reviews and avoid duplicative analysis and requirements. Highlights of the Council’s recommendations include:

- **Data collection and transparency.** We propose tasking an agency to develop a template for a unified online permit tracking tool for federal permitting and environmental review processes, and to develop metrics for improving accountability and sharing best practices.
- **Early stakeholder engagement.** Lead agencies should be designated for each project to drive reviews and resolve conflicts among federal agencies and other stakeholders. To promote transparency and accountability targets for permitting milestones should be set and shared with stakeholders.
- **Centralized monitoring and accountability for federal agency performance.** A task force, or other administrative structure, should be convened to develop standards, metrics, and accountability mechanisms over a 12-month period. Following this initial effort, a permanent White House-led council would monitor agency performance and be a forum to resolve interagency bottlenecks.
- **Limiting duplication among local, state, and federal agency reviews.** Changes in practices (and law if necessary) should be made to allow greater acceptance of State-level analysis by Federal agencies, and vice-versa. Ideally, authorities at all levels of government would cooperate in developing multi-jurisdiction “one-stop shops” that would provide a standard template and accelerated consideration for all phases of project review.
- **Improve litigation management.** Improved up-front processes in permit approvals could be helpful in litigation management.

Many of these changes could be constructively piloted through the top priority infrastructure projects that the Administration has identified. Best practices and lessons learned from these projects can then be applied broadly to the overall permitting process in the United States.

IT CAN BE DONE: HOW AUSTRALIA SPED UP PERMITTING TIME

Australia, whose multiple layers of state and federal oversight resemble the U.S. structure, recently implemented a series of reforms to reduce the regulatory burden facing large infrastructure projects. The states of New South Wales (NSW) and Victoria have led the way. In NSW, permitting times have shrunk from a once-typical 249 days to 134 days.

The NSW department of planning fast-tracks projects based on their economic significance. The state has final decision rights over project approvals. Thanks to bilateral agreements between agencies, projects are subject to a single set of requirements. NSW also tracks and publishes performance metrics, with a goal of 95% of decisions being completed within five months.

In Victoria, the state government has developed an expedited process for major transportation projects under a 2009 reform. There’s now a mandatory review and decision timeline for environmental permits—typically a maximum of 175 days after a proposal’s submission to the Ministry of Planning. The process still provides multiple periods for public input on both project scoping and the final permit determination.

Regulatory process reform for Independent Regulatory Commissions (IRCs).

The Council commends the Administration's efforts to review old regulations and eliminate unnecessary ones, including taking action on a Council recommendation to review regulations that were initiated by IRCs. More, however, needs to be done. Since the Reagan Administration, every U.S. president has required that executive branch agencies assess the costs and benefits of significant regulatory actions, analyze alternatives to proposed actions, and submit proposed actions and the related analyses to the Office of Information and Regulatory Affairs (OIRA) for review. OIRA's review serves as an independent audit of agencies' analysis, provides analytical feedback, considers alternative approaches and ensures that new regulations are consistent with applicable laws and do not conflict with proposed regulations from other agencies.

Conducting a comprehensive regulatory impact analysis is an important step in the rule-making process. It helps agencies better understand the issues driving the need for proposed regulation and to more thoughtfully consider the value of alternative approaches that could achieve the same goal. For instance, the FCC's work on broadband policy, including its broadband speed tests and the National Broadband Plan, is a positive example of a fact-based, data-driven analysis that can proactively shape a key policy discussion. OIRA's review is also important as it serves as an independent audit of agencies' analysis, provides analytical feedback and ensures that new regulations are consistent with applicable laws and do not conflict with actions or proposed regulations from other agencies.

Unfortunately, the Executive Orders mandating regulatory analysis and review did not apply to IRCs, such as the Securities and Exchange Commission or the Commodity Futures Trading Commission because the law won't allow it. While some IRCs employ economic analysis when crafting new regulations, many do not routinely do so. As an example, in 2010, IRCs issued 17 economically significant regulatory actions—16 of which were promulgated by the Securities and Exchange Commission and the Federal Reserve System⁶⁴. None underwent the comprehensive regulatory impact analysis or included the cost-benefit analysis that is expected from executive branch agencies.

The Council therefore recommends that legislation be passed that requires IRCs conduct cost-benefit analysis for all new "economically significant" regulatory actions that may have an annual impact on the economy of \$100 million or more as well as any significant guidance that meets the same threshold. In addition, to ensure quality and accuracy, an objective third party with extensive qualifications and experience consistent with their mandate should review regulatory analysis by IRCs.

Providing oversight while still allowing the IRCs final authority will not only help raise the quality of the analysis that is

performed but could also create coordination among all regulatory agencies—something that is missing today. That coordination could help make agencies aware of related actions by different agencies that may overlap with or duplicate actions they're considering, and help make agencies aware of cumulative impacts that new regulations from multiple agencies could have. These recommendations are not designed to weaken regulation or regulatory agencies, but rather to improve the rulemaking process, and to create more effective and less burdensome regulations that will promote economic growth and job recovery.

CREATE IMMEDIATE IMPACT

We have worked closely with the administration on a number of specifically targeted initiatives to create an immediate impact, including initiatives at:

- Department of the Interior
- Department of Transportation
- Environmental Protection Agency
- Council on Environmental Quality
- Department of State
- U.S. Patent and Trademark Office
- Department of Homeland Security
- General Services Administration
- Food and Drug Administration

A few of these initiatives are described in more detail below.

Boost tourism by reforming the visa process

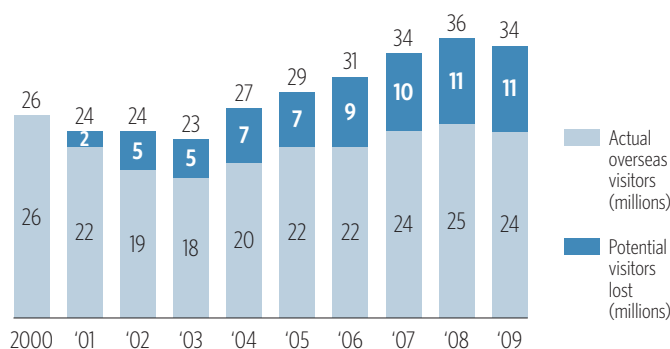
Between 2000 and 2010, the global long-haul travel market grew by 60 million travelers each year. Yet our share of this market fell from 17% to 12.4%. This means travelers are going somewhere—just not to the United States. If we make it a national priority to increase our share, over the next decade we could potentially add up to \$390 billion in international visitor spending and create 1.3 million more American jobs according to the U.S. Travel Association⁶⁵.

While many factors have contributed to the decrease in U.S. market share, tourist visa requirements and long wait times convince many tourists to simply go elsewhere. Some multinational companies stop holding conventions in the United States because they cannot count on staff being able to get visas in time. When coming to the United States is such a hassle—and when the United Kingdom, the European Union, Russia, and the rest of Latin America have far fewer visa requirements—is it any wonder we're losing market share?

The Council believes that improving the tourist visa process can help the United States compete for the global tourist dollar while protecting national security. What's more, many of these reforms don't require legislation. In some cases, to achieve reductions in wait time, we need to invest

Number of Overseas Visitors in the U.S.

Millions



A sharp decline in international arrivals since 2000 has cost the United States an estimated \$200 billion.

- From 2000 to 2009, international long-haul travel increased by 31%.
- Had the U.S. simply kept pace with this growth (maintaining market share), an additional 68.3 million visitors would have entered the U.S. over the past decade.
- In 2010, total tourism-related employment was 14.1 million, suggesting 1 in 9 workers were tourism related—which would have been higher with more visits.

Source: WTTC

in more offices and personnel. Another promising approach is to apply “lean” process improvement techniques that have helped boost productivity in countless private sector contexts. Recommendations include: reduce the wait times for visa interviews to days rather than months; increase State Department and other federal personnel with a greater focus on in-bound tourism promotion and visa processing speed; and expand the visa waiver program (VWP).

Historically, VWP countries, or countries with similarly streamlined tourism access (such as the United Kingdom, Japan and Germany) are the largest source of inbound travel to the United States. Potentially eligible nations such as Argentina, Chile, Poland and Taiwan should join the VWP as soon as possible (which would require legislation). In addition, given their burgeoning middle class, Brazil, India and China deserve special attention; the State Department should open additional offices and continue to bolster existing staff in these priority markets.

The Council has been working with the Administration to pilot some of these recommendations. Over the last few

“The tourist visa process can be reformed to allow the U.S. to compete for the global tourist dollar while protecting national security.”

months, the State Department reports great improvement in wait times at Chinese consulates and across Brazil, with particular improvements in Rio de Janeiro and Sao Paulo. Specifically, visa wait times in China have been reduced from a high of 60 days down to a 13-day average⁶⁶.

Improve the FDA approval process

The United States has long been the global leader in medical innovation, leading to improved quality of life for patients and the creation of millions of high quality American jobs. Today, however, our medical innovation ecosystem is in jeopardy. Investment in the life sciences area is declining at an alarming rate* because of the escalating cost, time, and risk of developing new drugs and devices. While many factors have contributed to this decline—including challenges around reimbursement and the general state of the economy—an important factor is the uncertain FDA regulatory environment. These concerns come at a time when Europe, China and India continue to entice companies to take their medical research and development enterprises abroad, putting at risk our ability to keep private investment and jobs here at home.†

* The share of venture capital invested in biotechnology declined from 18% in 2009 to 12% in 2010, the lowest level since 2001. From 2008 to 2010, venture investment in U.S. life sciences companies declined by \$2 billion. Venture capital investments in seed and first round medical device startups declined nearly 50% in the first half of this year

† For example, in 2007, the European Union and the European Federation of Pharmaceutical Industries and Associations sought to attract life sciences companies to Europe by establishing a \$2 billion Innovative Medicines Initiative. In 2010, while the amount of capital invested in private U.S. biotechnology companies declined 3.2%, Europe saw a 29% increase. The Chinese government is also pursuing an aggressive strategy with a five-year national plan that identified the biopharmaceutical industry as one of the seven emerging markets to target with a commitment of a \$1.5 billion for investments. India has similar plans to expand biopharmaceutical activities and in 2010 announced a plan to establish a \$2.2 billion venture fund for supporting drug discovery and research infrastructure development projects.

Protecting patients from harm is without question an essential element of what the public expects from the FDA. Another important element is enabling the timely development and availability of new therapies and technologies. Achieving both goals simultaneously is the critical challenge for the new drug and medical device approval process.

Despite the challenges, the Council believes there are promising ways forward. For starters, the FDA should develop a qualitative framework for benefit-risk assessment of new therapeutics and diagnostics that incorporates robust input from stakeholders, including both patients and consumers. The FDA should also consider a more flexible benefit/risk paradigm that explicitly adjusts all the elements to be considered in light of clinical need, patient risk tolerance and the need for innovation. We also propose that the FDA explicitly consider the impact of its decision making on medical innovation, and formally interact with relevant stakeholders to make this happen.

While continuing to focus on patient safety, the FDA should also improve the Accelerated Approval pathway into a so-called progressive approval system. Rolling out new drugs, diagnostics or medical devices to specific subpopulations of the public with significant unmet needs (with appropriate safeguards) will allow for additional data and learning to inform the full approval decision and provide patients with earlier access to innovative medicines.

Streamline Patent Office processes to bolster innovation

As noted earlier in the Council's discussion of high-growth firms, Congress recently passed the first major reform of our

patent system in decades. The legislation moved the U.S. system from a "first-to-invent" to "first-inventor-to-file" rule (to both simplify determining who was first with an invention and align with systems worldwide); authorized the U.S. Patent and Trademark Office (USPTO) to charge higher fees for expedited service; allowed the USPTO to receive the revenues from the fees it collects so it can hire more examiners and reduce today's backlog; and granted rebates on fees to small businesses and simplified the process of contesting a patent application to minimize litigation on the backend.

But there's still a long way to go to streamline the process. Our top priorities on this front should be to ensure the USPTO does in fact hire more examiners to reduce the average delay in patent processing times (which currently *average* almost three years), and to use "lean" reform techniques to speed up a patent process so cumbersome that months of back-and-forth can occur to answer "simple" questions the examiner has about an application⁶⁷.

Speed payments to small federal suppliers

Rules governing how Uncle Sam pays suppliers can inadvertently hurt job creation in a struggling economy. The federal government pays small businesses nearly \$100 billion each year for goods and services⁶⁸. The government typically pays 30 days after being invoiced. For small firms in tough times, that wait can be costly. Some firms sell the receivables, an oftentimes expensive form of financing, or else defer activities requiring cash. At the Council's urging, the President has directed the federal government to implement new terms so that small suppliers will be paid in 15 days, thus boosting their working capital. ★

INITIATIVE 5

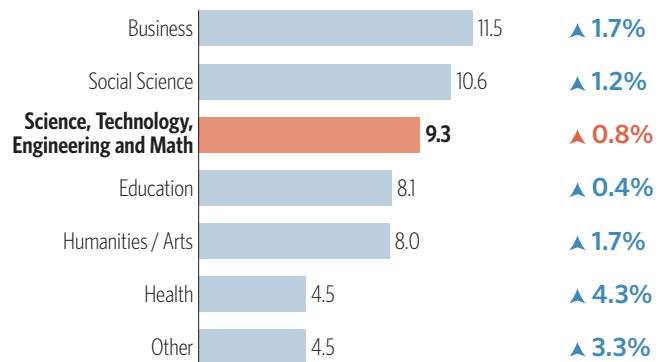
Develop Talent to Fill Today's Jobs and Fuel Growth

In the 21st century global marketplace, a nation's economy can only be as strong as the skills of its people. While the United States has traditionally enjoyed a competitive advantage thanks to the productivity of its overall workforce, a growing mismatch has emerged in key sectors between worker preparation and business needs. Among the dimensions of this skill gap:

- The McKinsey Global Institute estimates that the United States could be short as many as 1.5 million college graduates by 2020⁶⁹. The Georgetown University Center for Education and the Workforce's estimates is even more alarming: a 3 million shortfall by 2018⁷⁰. This could mean losing our current lead in areas that give us an edge in business and engineering innovation.
- While the United States currently has an edge in “Big Data” analytics—cutting-edge firms that harness the power of massive databases to derive new business applications and insights—we'll be short 1.5 million data savvy managers and 190,000 deep data analysts in the next five years according to the McKinsey Global Institute⁷¹.
- As baby-boomer retirements loom, U.S. manufacturing faces a deficit of skilled workers, ranging from university-educated aerospace engineers to community college-trained precision machinists. Currently U.S. manufacturing is the most productive in the world. Who will fill the gap left by retiring baby boomers in this critical area?
- And the skills gap is not just at the level of rocket scientists and PhDs; the McKinsey Global Institute predicts an even larger 1.6 million shortage of workers with technical or vocational level training⁷².
- We have a persistent unmet demand of 400,000 to 500,000 jobs openings in the healthcare industry, a higher rate than in other service industries, many of which could be filled by training workers in community colleges⁷³.

College Graduates by Specialization¹ 2020 Labor Force Projections

Millions



The skills mismatch will worsen over time as the number of graduates in science, technology and math continues its slow growth.

1. Bachelors Degree or higher.
Source: National Center of Education Statistics; U.S. Census Bureau; U.S. Bureau of Labor Statistics; McKinsey Global Institute

Bottom line: Analysis by the IMF and the Federal Reserve Bank of Minneapolis suggest the skills gap may account for *one-quarter to one-third of today's unemployment rate*⁷⁴. What the skills gap really means is that even in the current jobs crisis, jobs are going unfilled today partly because employers can't find workers with the appropriate skills. Meanwhile, the problems plaguing our K-12 education system—where U.S. schools depressingly rank in the middle to bottom of international comparisons—pose fundamental threats to our future prosperity.

The Council believes there is an urgent near-term agenda on talent that can help ease today's jobs woes, and a broader long-term talent agenda to renew America's competitiveness. In this interim report we focus on ways to accelerate

“The skills gap may account for one-quarter to one-third of today’s unemployment rate.”

near-term progress through private sector-led initiatives. (America’s longer-term talent strategy will be discussed in our year-end report).

To help alleviate the near-term skills gap, the Council has organized consortiums of private-sector leaders to launch nationally replicable programs to train workers in high-opportunity sectors quickly. We believe that once these initiatives prove that we can capture the jobs opportunity that is the flip side of today’s skills gaps, policymakers will be emboldened to expand these efforts. In addition, to further plug the near-term skills gap, the Council has already unveiled a business-led effort to boost the supply of engineers in the United States. And nearly the entire Council agrees on calling on Congress to open our shores to high-skilled immigrants who help build businesses that fuel growth and jobs. We discuss these actions and ideas in turn.

Advanced manufacturing training in Minnesota

A just-released study by the Manufacturing Institute reported that over 80% of manufacturers cannot find people to fill their skilled production jobs⁷⁵. As a result, there are over half-a-million manufacturing jobs open right now. Responding to this talent crisis, and the need to create jobs in this country, the Council worked with the Manufacturing Institute to tailor their national manufacturing certification system into a nationally replicable fast-track solution that can deliver “just in time” talent to small manufacturers. This accelerated program allows individuals to earn both national industry certifications and college credit in 16 weeks, preparing them for immediate employment in high-quality manufacturing jobs and giving them a solid foundation to advance in higher education and careers.

This Council-led initiative, called Right Skills Now, is an acceleration of the National Association of Manufacturers-endorsed Manufacturing Skills Certification System, which includes nationally portable, industry-recognized certifications that are combined with for-credit education programs. Right Skills Now fast tracks and focuses career training in core employability and technical skills by “chunking” relevant curriculum that leads to interim credentials in critical machining skills.

While the initial model focuses on machining skills, for which there is immediate demand, the program can accelerate skills development in other foundational skills areas for advanced manufacturing, like production or welding. By following

the NAM-endorsed Manufacturing Skills Certification System, these education pathways are directly aligned to career pathways in manufacturing, allowing students progressing through the programs to earn college credit towards a degree, a national certification with labor market value, and the hands-on technical experience to be successful on the job from day one.

Right Skills Now is now being deployed at two Minnesota colleges, Dunwoody College of Technology and South Central Community College. Other partners include ACT, the certifying body for the National Career Readiness Certificate (the foundational credential in the Skills Certification System) and the National Institute of Metalworking Skills (NIMS), the certifying body for the series of machining and metalworking credentials in the System. In concert with Skills for America’s Future, the Council, through Right Skills Now, is leveraging the ongoing work of NAM and our other partners to help eliminate the skills gap for 500,000 manufacturing jobs in the next few years.

Healthcare workforce training in New York and California

Continuing growth in the healthcare sector nationally, along with the promise of high-wage, high-skill jobs, is drawing an increasing number of people to the field. New York’s example is typical. With nearly 12% of total state employment coming from health care and the sector’s growth expected to increase another 16% by 2018, health care will continue to be a major source of new jobs in New York⁷⁶.

However, as is the case nationally, a skills mismatch exists between those seeking employment and the positions employers are seeking to fill. This mismatch occurs at several levels as new graduates and experienced workers look to advance their careers and adjust to new healthcare service delivery models. As a result, positions that could be filled are currently sitting open. Nationally, there are roughly half a million job vacancies in healthcare, a 33% higher rate than in other service industries⁷⁷. The Council believes that proving that we can fix what causes this skills gap—an outmoded healthcare curriculum not suited to today’s needs, a mismatch between graduates and the work experiences necessary to make them employable, and the lack of a clear progression of training courses that interested students can tailor to their careers—can go a long way toward helping capture the healthcare jobs opportunity.

To maximize this opportunity, the Council asked stakeholders in New York and California to develop national models for accelerated training and placement of healthcare workers into available jobs within their states. Both states included leadership from industry, labor, academia, government and workforce-development organizations in designing their initiatives. Governor Andrew Cuomo, Mayor Michael Bloomberg and the Partnership for New York City led New York’s effort. Lieutenant Governor Gavin Newsom, the California Community

Colleges system and the Health Workforce Initiative, a long-standing advisory structure comprised of health care employers, led California's effort. Both states are establishing critical links between healthcare employers and the entities training and credentialing the workforce. These linkages will accelerate the placement of thousands of New Yorkers and Californians into career-track jobs and ensure adequate preparation of a highly qualified labor supply. Both initiatives will serve as national models for how states across the country can address their healthcare workforce training needs.

In order to fill current vacancies, one of the first projects of the New York initiative will be to fast-track the development of a curriculum aimed at training in-demand medical laboratory technologists. On a parallel track, this initiative will launch a transition-to-practice program for newly graduated registered nurses and develop a blueprint for "stackable" credentials across a number of healthcare occupations. Industry will be continually engaged to make sure all training and credentialing programs are updated to meet evolving needs in this fast-changing field.

In California, based on employer input, the Healthcare Workforce Initiative (HWI) will focus on sector-specific basic skills, such as medical terminology and computer skills for health information management. Tailored to local employer needs in each of California's different regions, the HWI will include the development of a standard "allied health prerequisite" package consisting of core courses, core professional skills, and other foundational skills needed for a number of health careers. HWI will also feature, among other things, new entry-level bridge programs that will integrate work readiness, career guidance, support services, basic skills and technical training to accelerate students into promising careers in health.

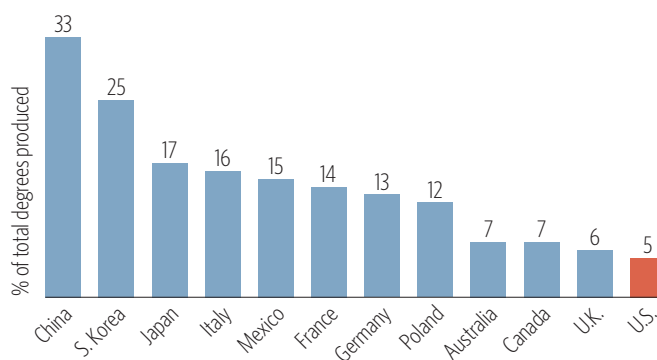
10,000 engineers

American engineers drive innovations that improve our quality of life, lift our standard of living and boost our competitiveness. But in recent decades we've lost our edge when it comes to producing top engineering talent. While the number of bachelor's degrees awarded by U.S. institutions increased from 1.1 million in 1990 to 1.6 million last year, the number of engineers graduating annually has stagnated at around 120,000. By contrast, between 850,000 to 1 million engineers a year now graduate from universities in India and China⁷⁸. Even if those statistics overstate the gap and only a portion of those foreign-trained "engineers" truly possess skills equivalent to our own, the trend remains ominous. A shortage of engineers slows economic recovery, stunts long-term growth, and leaves firms having to look elsewhere for talent. Most U.S. employers say that engineering and science-related jobs are the hardest jobs to fill. If we don't produce good candidates for these jobs, companies will find them overseas.

In response, the Council has launched a private-sector initiative to yield 10,000 more engineering graduates in the United

Bachelors Degrees in Engineering

Percent of total degrees produced



The United States awards a smaller share of its degrees in engineering compared to other countries.

Source: NSF

States each year. This goal requires a commitment, starting at the top, from U.S. engineering employers.

As it turns out, the engineering gap is largely a retention problem. Thirty-five percent of students enrolled in science, technology, engineering and math programs leave them after the first year⁷⁹. If we can simply lift the retention and graduation rates of these qualified, interested students, we can move a long way toward our goal.

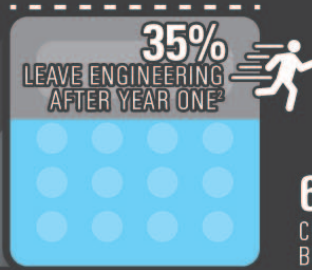
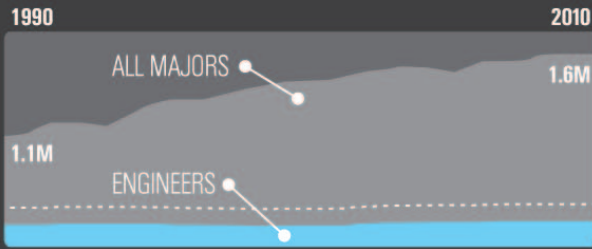
The Council has a three-part strategy to inspire and encourage young engineers: a plan for direct student engagement; better alignment of university incentives; and the launch of a consortium of companies committed to making a difference. More than 60 companies have already signed on to the effort, pledging to double their engineering internships in 2012. These additional 7,000 internships, representing nearly \$70 million in additional investment by these companies, will create opportunities for hands-on learning that can cement student commitment to the field. Due to the strong interest the Council has already received from the private sector, we hope to double this commitment by the summer of 2012.

The nation's top engineering universities have also agreed to address this issue. In addition, the Council, in partnership with several of the top deans in engineering schools, is establishing a "Tech Standard of Excellence Seal" to recognize those schools that attain high retention rates. We expect this seal will become a mark of distinction that boosts an institution's prestige as well as reward it for focusing on retention and graduation. Companies in the consortium will together focus some of their college-related charitable spending on retention programs to help these schools deliver.

The Council sees this private sector-led effort as an important first step that can provide lessons for national policymakers. Ten thousand is a good start, but given the pace at which

ENGINEERING A COMPETITIVE FUTURE

THE NUMBER OF U.S. ENGINEERING GRADS HAS FLATLINED¹



HOW DO WE RESPOND?

+10 THOUSAND
ENGINEERING GRADUATES EACH YEAR
BY RELYING ON ESTABLISHED SOLUTIONS

GOVERNMENT COMMITMENT
Funding undergraduate research can increase student retention³.

200%

ENGINEERING COLLEGE PROGRAMS
Freshmen preparedness programs can double retention⁵.

2x

CORPORATE SUPPORT
Increase internships to boost early engineering experiences³.

1/5 of Fortune 500 CEOs have engineering degrees⁴.

20%

STUDENT ENGAGEMENT
Partner with the entertainment industry to inspire tomorrow's engineers.

RESULT

FUELING JOBS AND COMPETITIVENESS



SUPPORT + EDUCATION = ENGINEERING + INNOVATION = HEALTHY ECONOMY

PRESIDENT'S COUNCIL ON JOBS AND COMPETITIVENESS: HIGH-TECH TASK FORCE
¹ U.S. Department of Education, National Center for Education Statistics (2009). Degrees and Other Formal Awards Conferred. ² U.S. Department of Education, National Center for Education Statistics (July 2009). Students who Study Science, Technology, Engineering, and Mathematics (STEM) in Postsecondary Education. ³ Association for the Study of Higher Education (2010). What Matters in STEM: Institutional Contexts That Influence STEM Bachelor's Degree Completion. ⁴ The Oregonian (September 2011). "Portland State University gives future scientists and engineers an extra boost." ⁵ SpencerStuart (December 2008). Leading CEOs: A Statistical Snapshot of S&P 500 leaders. ⁶ Public Policy Institute of California (2009). High-Tech Start-Ups and Industry Dynamics in Silicon Valley.

our competitors are growing their own talent, it's just a start. If we want the next Intel, Google or Facebook to be born in America, we'll need a broader national campaign to make engineering truly "cool."

High-skilled immigration

When a company routinely lets talented workers slip away it's called mismanagement. When America does the same thing, it's called politics as usual. At a time when growth is sluggish and jobs are scarce—and in an era in which brains are the only sure source of lasting competitive advantage—it's wrong that America pushes talented immigrants away.

Nearly every Council member believes that no discussion of the intersection between talent and jobs can ignore the "reverse brain drain" we continue to face. This point, which was touched on earlier in this report's chapter on high-growth entrepreneurship, bears underscoring as we think more broadly about the nation's talent agenda. Many of our most talented STEM workers are immigrants living legally in America, often after having been educated here as well. They are high earners, pay their taxes, contribute to their communities, and want to stay. Yet due to the endless wait for employment-based visas, these workers and their families can't fully embrace life as Americans. Many grow disenchanted and end up putting their skills to work in other countries that are only too glad to welcome them.

While the Council is hardly the first to call attention to this self-inflicted economic wound, and there are a host of technical recommendations we're proposing to remedy the situation, two points should be lit up in neon here.

First, we need to fully subscribe and radically expand the so-called EB-5 "entrepreneur's visa" for immigrant entrepreneurs who invest \$500,000 to \$1 million in a new commercial enterprise and create at least 10 full-time jobs (or preserve 10 jobs in a troubled business). If the EB-5 program reaches maximum capacity, it could result annually in the creation of approximately 4,000 new businesses \$2 billion to \$4 billion of foreign investment capital and create 40,000 jobs. But streamlining the application process and fully subscribing the program is just a start. Why have any cap on this kind of visa at all? Why not advertise it worldwide? Indeed, why not go further, as some have suggested, and set up human resources offices in key countries around the world to recruit their most talented young people to come to America to realize their dreams while fueling the next generation of U.S. innovation?

Our second point is a plea: America can't afford to let high-skilled immigration reform remain attached to the controversies that surround "comprehensive" immigration reform more broadly. As some of our members have different viewpoints on this subject, the Council recognizes the legitimate passions on all sides of this question, and understands how complex it can be for policymakers to reconcile differing

views. But given the challenges our economy now faces in a global age, we all need to rethink. How is anyone served when great immigrant talent trained at our finest institutions leaves our shores to work for the competition? If the next million jobs these men and women create could be in America, shouldn't we peel off and pass that portion of immigration reform right now? ★

HOW THE PRIVATE SECTOR CAN HELP

Government alone can't solve today's jobs crisis. We need everyone to pitch in. To be sure, the first duty of private firms is to run their businesses well and generate the profits that enable growth and hiring. But business can play a civic role that goes beyond just minding the store.

Business can help close the skills gap, for example, by helping shape educational programs so they fit the needs of employers. The Council, at its initial meeting, established a goal of graduating an additional 10,000 engineers each year. Since the program launched, over sixty companies have committed to sponsoring an additional 7,000 internships.

Can your company support the engineers of the future?

In partnership with the National Association of Manufacturers, a related initiative, Right Skills Now, focuses on filling the thousands of open advanced manufacturing jobs. Unemployed workers with years of manufacturing experience are sitting on the sidelines. Developing accelerated training programs can get this latent labor force back in the game. Similarly, employers in New York State and California, along with the system of community colleges, are taking the lead in shaping new curriculums to meet their current and future needs, making a degree translate far more readily into an actual job. What can you do to help your community better train local workers for the needs of local employers?

Here's another way to contribute. Though America remains the global innovation leader; the creation of startup companies, which fuel job growth and innovation, has not recovered from the recession. Bigger firms can help lift the prospects of entrepreneurs by partnering with promising early stage companies. As one example, the Council is helping small businesses increase their access to international demand by organizing symposiums that tap established international supply chains of larger companies. **What can your large firm do to help a small business today?**

Finally, fourteen companies have already signed up to participate in the Better Buildings Challenge, which asks the private sector to dramatically improve the energy efficiency of commercial buildings. Not only are these companies poised to save huge sums over time through greater energy efficiency, they're helping put construction workers, among the hardest hit sectors, back to work right now. **How might your business help expand this program?**

The Council can help pair interested businesses with opportunities to make a difference in the jobs crisis.

Aspirations

The Council has tried in this report to chart a practical path to accelerate job growth in the next few years. In the business world, when a troubled company needs to be turned around, executives often invoke a three-step sequence. First, stabilize the situation; next, rebuild confidence; and finally, once the right strategy is in place, march toward excellence.

The American economy faces similar challenges. We've gone through the worst economic and financial crisis in decades. The human toll has been immense. Frustrated citizens are asking hard questions about our leaders and our institutions, and with good reason. In response, we should stabilize the situation and boost job creation by accelerating training, reining in regulation and filling open positions. We should rebuild confidence by showing the world that we can take on our tough infrastructure and energy challenges, and march toward excellence by showing that the United States can be the most innovative country in the world.

The Council doesn't plan to let this report gather dust on the shelf. We intend to continue to get things done. We're going to engage groups like the U.S. Chamber of Commerce, the Business Roundtable, the Business Council, the National Federation of Independent Business and the National Association of Manufacturers to help turn these ideas into action. To be sure, the first duty of private firms is to run their businesses well and generate the profits that enable growth and hiring. But business can—and in today's jobs emergency, must—play a civic role that goes beyond just minding the store. We need the private sector's help to "Take Action and Build Confidence." We will continue to host "Listening & Action" sessions to receive input from the public. The Council is working closely with a

senior team in the White House Office of Management and Budget, which is helping us drive initiatives and results across the executive branch. We have and will continue to reach out to Members of Congress. Indeed, the Council believes that bipartisan action on this agenda in Washington—even on modest issues, to start—would boost confidence at this juncture and have a positive effect on our economy.

In the end, however, action matters most.

Americans have always risen to a challenge. And once we work through this near-term jobs shortfall, we'll find the longer-term challenges we face are, in fact, "high-class" problems to have. The rest of the world is getting wealthier. That means billions of new customers around the globe for the kinds of good and services American ingenuity can produce. True, we won't be able to coast along on old ways of

doing things, the way we could in an era marked by less competition. We'll be forced to raise our game. But that will only make us bolder, smarter and more creative.

If we're pushed toward bolder strategies to develop people's skills and talents, we'll be helping more of our fellow Americans realize their human potential. If competition forces us to find smarter ways to fund government in an aging America while promoting growth, or to finally pursue sound energy policies, or to make our health-care system more efficient, then competition will have given us the spur to improvement we need.

The flip side of every challenge is opportunity, and while the economic threats we face are real, the Council believes there's no question we will surmount them—so long as we think differently, and act differently, together. More on this in December. ★

“Americans have always risen to a challenge. The flip side of every challenge is opportunity.”

**“IN THE END, HOWEVER,
ACTION MATTERS MOST.”**

APPENDICES

Jobs Council

June Recommendations

Energy retrofitting (Better Buildings)

Graduate 10,000 more engineers

Build workforce skills in advanced manufacturing

Healthcare workforce development

Leverage EB-5 program

SBA loan “one-stop shop”

Promote small business exports

Establish mechanisms to attract more Foreign Direct Investment

Streamline permitting

Federal agency supplier financing

Accelerate demand for U.S. travel/tourism

Jobs Council

October Recommendations

Invest Aggressively and Efficiently in Cutting-Edge Infrastructure and Energy

- Reauthorize the main surface transportation programs
- Leverage and expand existing public-private infrastructure financing mechanisms
- Create a national infrastructure financing organization to attract private capital to infrastructure projects
- Protect and preserve the user-based funding of the highway trust fund
- Speed implementation of the Next Generation Air Traffic Control System
- Promote broadband construction to reach all Americans
- Streamline permitting and approval processes for jobs rich infrastructure
- Make extraordinary efforts to strike a balance on energy investments
- Modernize and expand the electric grid through transmission siting reform
- Mobilize private sector financing for advanced energy technologies

Nurture the High-Growth Enterprises that Create New Jobs

- Win the global battle for talent
- Reduce regulatory barriers and provide financial incentives for firms to go public
- Enhance access to capital for early stage startups as well as later stage growth companies
- Make it easier for entrepreneurs to get patent-related answers faster
- Streamline SBA financing access, so more high -growth companies get the capital they need to grow
- Expand seed/angel capital
- Bring together investors and entrepreneurs, particularly from neglected geographic areas
- Foster regional ecosystems of innovation and support growth of startup accelerators
- Expand programs to mentor entrepreneurs
- Allow university faculty to shop discoveries to any technology transfer office
- Enhance commercialization of federally funded research
- Address talent needs by reducing student loan burden and accelerating immigration reforms

Jobs Council

October Recommendations *(continued)*

Launch a National Investment Initiative

- Leverage local advantages through Innovation Investment Zones
- Establish supply chain partnerships
- Upgrade SelectUSA and improve coordination between SelectUSA and U.S. states
- Improve immigration policies to bring jobs to the U.S.
- Explore tax reforms that would increase the competitiveness of businesses locating in the United States

Simplify Regulatory Review and Streamline Project Approvals

- Reform permitting processes to accelerate job creation
- Conduct regulatory process reform for independent regulatory commissions (IRCs)
- Boost tourism by reforming the visa process
- Improve the FDA approval process
- Streamline Patent Office Processes to bolster innovation
- Speed payments to small federal suppliers

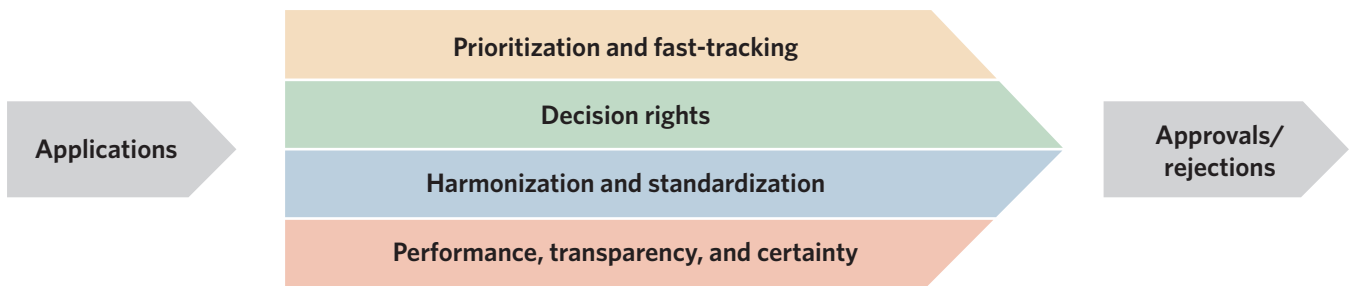
Develop talent to fill today's jobs and fuel growth

- "Right Skills Now" advanced manufacturing training
- "10,000 Engineers" initiative to graduate more U.S. engineers
- Healthcare workforce training in New York and California
- Stop the "reverse brain drain" by letting high-skilled immigrants stay in the U.S.

Efficient Permitting

Key elements of an efficient permitting regime to drive development of projects having environmental impact

Project Life Cycle



| | | | |
|---|--|--|---|
| <p>Prioritization and fast-tracking</p> <ul style="list-style-type: none"> Segment projects by importance to increase speed and efficiency Prioritize and fast-track mission critical and strategic projects (e.g., renewable energy, critical infrastructure) Dedicate resources and expedite workflow (e.g., delivery units) | <p>Decision rights</p> <ul style="list-style-type: none"> Designate clear roles and accountabilities to ensure time-bound outcomes Empower project sponsor or planning authority to set timelines and drive decisions Establish single point of accountability to ensure outcomes | <p>Harmonization and standardization</p> <ul style="list-style-type: none"> Facilitate a one-stop shop permitting process to lower applicant burden and reduce red tape Integrate approach in all project elements (planning to permitting) to minimize duplication Harmonize for various agencies (e.g., fish and wildlife, forests, water quality, U.S. Army Corps) Standardize forms and evaluation requirements in various jurisdictions | <p>Performance, transparency, and certainty</p> <ul style="list-style-type: none"> Increase public transparency on process to enhance performance and increase business certainty Specify and publicly disseminate process requirements including time frames Introduce electronic application interfaces Share real-time data on permit applications and approvals |
|---|--|--|---|

U.S. Permit Approval

Opportunities for improvement

U.S. performance

Prioritization and fast tracking

- Weak prioritization mechanisms for strategic projects
- Fear of litigation frequently results in excessive documentation
- 50% of alternative energy projects suffer delays
- Substantive decisions made at field level with little strategic oversight

Harmonization and standardization

- Short-term and long-term planning is done at local or state levels
- Permitting decisions involve all levels of government and multiple federal agencies
- National Environmental Policy Act (NEPA) frameworks can require repeating analysis that may have already been done in planning phases of a project
- Wide variation of emphasis at state and local levels (e.g., “one-stop” state siting councils in Oregon and Minnesota)
- Federal, state and local governments each impose their own requirements on projects

Decision rights

- The environmental review process is often designed to maximize stakeholder participation and discussion, not reach decisions
- Political considerations, not a common set of economic facts frequently drive the stakeholder negotiating process

Performance, transparency, and certainty

- Government agencies do not publicly share data on status of permit applications
- Significant uncertainty for businesses (e.g., wind energy facility siting can take anywhere from a month to a few years)



The Administration has recently begun an effort to address a number of these issues, including the creation of a dash board for tracking permits across federal agencies, the identification of the top U.S. 10 infrastructure projects, and the identification of White House Personnel with the accountability to coordinate key projects. We urge that these efforts be given top priority and intend to follow up with the Administration on progress in this area.

10,000 Engineers

More than 60 companies have already signed on to the private sector initiative to yield 10,000 more engineering graduates in the United States each year. These companies pledged to double their engineering internships in 2012. These additional 7,000 internships for students, representing nearly \$70 million in additional investment by these companies, create opportunities for hands-on learning that can cement student commitment to the field.



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JOBS COUNCIL



PRESIDENT'S COUNCIL
ON JOBS AND COMPETITIVENESS

The President's Council on Jobs and Competitiveness (Jobs Council) was created to provide non-partisan advice to the President on continuing to strengthen the Nation's economy and ensure the competitiveness of the United States and on ways to create jobs, opportunity, and prosperity for the American people.

The Jobs Council is made up of members appointed by the President from among distinguished citizens outside the Federal Government, including citizens chosen to serve as representatives of the various sectors of the economy to offer the diverse perspectives of the private sector, employers, and workers on how the Federal Government can best foster growth, competitiveness, innovation, and job creation.



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Xerox Corporation



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Chairman and CEO,
Revolution, LLC; Co-Founder,
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Monica Lozano
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Chairman, President and CEO, The Boeing Company



Darlene Miller
President and CEO, Permac Industries



Paul Otellini
President and CEO, Intel



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Antonio M. Perez
Chairman and CEO, Eastman Kodak Company



Penny Pritzker
President and CEO, Pritzker Realty Group



Brian Roberts
Chairman and CEO, Comcast Corporation



Matthew Rose
Chairman and CEO, BNSF Railway



Sheryl Sandberg
Chief Operating Officer, Facebook



Richard L. Trumka
President, AFL-CIO



Laura D'Andrea Tyson
S.K. and Angela Chan Professor of Global Management, Haas School of Business, UC Berkeley



Robert Wolf
Chairman, UBS Americas President, UBS Investment Bank

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