

**DEPARTMENT OF THE TREASURY  
PRESIDENT'S COUNCIL ON JOBS AND COMPETITIVENESS  
February 24, 2011 MEETING**

The meeting was convened at the White House pursuant to notice at 1:52 P.M. EDT.

**WHITE HOUSE ATTENDEES:**

Barack H. Obama, President of the United States of America  
Melody Barnes, Director, Domestic Policy Council  
Bill Daley, Chief of Staff  
Austan D. Goolsbee, Chairman of the Council of Economic Advisors  
Don Graves, Executive Director, President's Council on Jobs and Competitiveness  
Valerie Jarrett, Senior Advisor to the President  
Gene Sperling, Director, National Economic Council  
Michael Strautmanis, Deputy Assistant to the President

**ADVISORY BOARD MEMBERS PRESENT:**

Jeff Immelt, Chairman & CEO, GE  
Steve Case, Chairman & CEO, Revolution and Chairman, Startup America Partnership  
Kenneth I. Chenault, Chairman & CEO, American Express Company  
John Doerr, Partner, Kleiner, Perkins, Caufield & Byers  
Roger W. Ferguson, Jr., President & CEO, TIAA-CREF  
Mark T. Gallogly, Founder & Managing Partner, Centerbridge Partners  
Joseph T. Hansen, International President, UFCW  
Lewis Hay, III, Chairman & CEO, NextEra Energy  
Ellen Kullman, Chair & CEO, DuPont  
Eric Lander, Director, Broad Institute of MIT and Harvard and Co-Chair, PCAST  
Monica Lozano, CEO, impreMedia  
Darlene Miller, President & CEO, Permac Industries  
Paul S. Otellini, President & CEO, Intel Corporation  
Richard D. Parsons, Chairman, Citigroup  
Penny Pritzker, Chairman & Founder, Pritzker Realty Group  
Brian Roberts, Chairman & CEO, Comcast Corporation  
Matthew K. Rose, Chairman & CEO, BNSF Railway  
Sheryl Sandberg, Chief Operating Officer, Facebook  
Richard L. Trumka, President, AFL-CIO  
Laura D. Tyson, Professor, Haas School of Business, UC Berkeley  
Robert Wolf, Chairman, UBS Group Americas

**ALSO PRESENT:**

Ron Bloom, Assistant to the President for Manufacturing Policy  
Steven Chu, Secretary of Energy  
Arne Duncan, Secretary of Education  
Timothy Geithner, Secretary of the Treasury  
Adam Hitchcock, Chief of Staff, Council of Economic Advisors  
Gary Locke, Secretary of Commerce  
Karen Mills, Administrator, U.S. Small Business Administration  
Greg Nelson, Deputy Director, President's Council on Jobs and Competitiveness  
John Oxtoby, Designated Federal Officer and Associate Director  
Hilda Solis, Secretary of Labor

The President's Council on Jobs and Competitiveness (PCJC) held a meeting with the President to focus on finding new ways to promote growth by investing in American business, to encourage hiring, to

educate and train our workers to compete globally, and to attract the best jobs and businesses to the United States at 1:52 PM (EDT) on February 24, 2011 in Room 430 of the Eisenhower Executive Office Building of the White House. In accordance with provisions of the Federal Advisory Committee Act, Public Law 92-463, and Federal Committee Management Regulations, 41 C.F.R. 102-3, the meeting was open to the public via internet webcast.

## **ROLL CALL**

Twenty one of the twenty six members of the Jobs Council were present, constituting a quorum consisting of a simple majority.

## **DISCUSSION**

(1:52 p.m.)

PRESIDENT OBAMA: I don't want to waste too much time with a big windup. And I know that everybody here has already been busy today doing some terrific work.

I just want to, first of all, thank Jeff. And I want to thank all of you for your willingness to participate in our Jobs Council.

Just in terms of genesis, I think many of you are aware of the fact that two years ago we set up a business advisory group to help guide us through a crisis of the sort that we hadn't seen since the Great Depression, mostly focused on the financial sector, figuring out how we stabilize that and how we make sure that the credit markets are working and how we averted a Great Depression.

We have done that. The economy is now growing. In many sectors, we are seeing recovery. But the biggest challenge that we are seeing right now is the fact that unemployment is still way too high all across the country.

And so what we wanted to do was retool. It is critical for us to have input from folks who are actually hiring, putting people to work, making payroll, making the products and services that make our economy so powerful, but we want to make sure that we narrowed the focus to think about how do we ensure a) that we are putting people to work right now but also how do we lay the foundation for us to win the future over the long term.

This is obviously a theme that I talked about during the State of the Union. It is my belief that we have all of the pieces in place for us to make sure that the Twenty First Century is the American century, just like the Twentieth was.

But we are going to have to up our game in this newly competitive world. And that means that we have got to out educate every other country in the world. We are going to have to out innovate every country in the world. We have got to make sure that we have got the best infrastructure to move people and goods and services throughout the economy.

I want us to be an economy that is not simply buying from other people and borrowing to do it. I want us to be selling to other people and having some other folks owe us some money.

And so it is going to be absolutely critical for us during a period of significant fiscal constraint that we create the kind of public private partnership that makes that happen. And it is going to be very important for us to get ideas from people who actually are on the ground right now trying to build your businesses and operate in an extraordinarily competitive world.

So my main purpose here today at this first meeting I think is to listen, to get a sense of where all of you think the economy is right now, what kinds of steps we need to be taking.

As I talked about during the State of the Union, we want to remove any barriers and any impediments that are preventing you from success and from growth. At the same time, we want to put a challenge to America's businesses that, even as we are working with you to streamline regulations, to reform our tax system, to take other steps that have been sitting on the shelf for quite some time, under both Democratic and Republican Presidents, we want to make sure that we are also putting a little pressure on you guys to figure out how do we make sure that the economy is working for everybody. How do we make sure that every child out there who is willing to work hard is going to be able to succeed? How do we make certain that working families across the country are sharing in growing productivity and that we are not just simply creating an economy in which one segment of it is doing very well but the rest of the folks are out there treading water?

So, Jeff, again I want to thank you for your extraordinary work. I want to thank all of you for agreeing to participate.

The last point I will make is that I am not interested in photo ops, and I am not interested in more meetings. I have got enough photo ops and enough meetings. I have a surplus of that.

So I expect this to be a working group, in which we are coming up with some concrete deliverables. I don't think that we have to be trying to hit home runs every time. I think we hit some singles and doubles. If we find some very specific things that this group can help us on and we can work on together, then we can build on that success. And in the aggregate over time, this will have really made a difference at a critical juncture in our economy.

So thank you very much. And, with that, I am going to turn it over to you, Jeff.

CHAIR IMMELT: Thanks, Mr. President.

And, you know, again, what I will do is kind of frame where the Council will focus, and then we have got to have a chance to talk about the broader economy with some of the team sharing ideas.

But I would make five points. The first one is I think we have got a very good team assembled. We had a chance to listen to each other this morning. It is a diverse team. You have got people that run businesses that are just based in the United States. You have got globally oriented companies, export oriented companies. You have got small business, big business. We have got technology sectors, services sector. We have got a broad variety of opinions. And we have got strong minded people that are going to say what is on their minds.

So I think we started the right way by assembling a diverse group that can give you a good perspective on the economy and good ideas and counsel in terms of how do we make the economy better. So I want to say thanks publicly to everybody that is here today. And I am glad to be a part of this group. I really like the way it has come together.

Point number two, there was universal agreement on the Council this morning. I think all of us want this to be laser like focus on creating American jobs, that basically we don't like the cynicism that exists in the economy today that we view that we share the responsibility in the private sector, in the private markets to do the things that are important to create jobs in this country, good jobs, competitiveness is a launching pad for that, and that we have to stay focused in a global economy on competitiveness.

But I think we all want this to stand for something. And pretty generally I would say the group wants it to stand for an aspirational focus on creating good jobs. So that is point number two.

Point number three, we had a lot of discussion on topics today and what would be the critical areas of focus. And I think we are going to be able to come together pretty quickly on key areas of both practical tactical short term approaches to maybe pull through and create jobs, to education, global trade, immigration, a whole series of ideas that I think we can bring short and long term solutions, you know, investments in R&D, energy, things like that.

We want to be practical. So we want to stay focused on those things that can be accomplished, but at the same time we want to try to do some work on some building blocks that can drive long term competitiveness.

So I would say we will come to grips with a real focus that has both a short term and long term payback. And I think that with the group here, people have different areas of expertise, different opinions on where we should start, but there is generally a view that there are seven or eight general areas that are going to have the biggest yield. And that is where we want to stay focused.

Point number four, we want to have a process that you are right in the middle of. You know, we basically see this in a 90 day kind of process. We want to share our outputs and ideas with you on that time frame to have very specific proposals.

We will work closely from a standpoint of what else is going on from a macro standpoint. We very much want this to have a rhythm and an output that keeps us on track, makes it relevant and, again, shows that we can use the Council as a launching pad for both substantive ideas, maybe longer term public policy.

The fifth point I would make, Mr. President, is just one on outreach. You know, each one of us has geographic and industry constituencies that we can leverage very hard.

I think a lot of this activity; in fact, most of this activity, is going to happen outside Washington. We want to have sessions that are in the field. We want to have outreach sessions that are I think reaching out to our supply chain and various constituencies that are with us.

So a big part of this is going to be about tone and about outreach and about I would say shared responsibility to improve the economy for the long term and create jobs and competitiveness.

So good people, you know, both industrially and also Rich and Joe from the Labor side. I think we have done a good job there. Real focus on jobs; topics that are relevant, both short and long term; disciplined process; and a real focus on tone and outreach. I would say those are the five things that we are going to put in place as we come from this session and move forward in the future.

PRESIDENT OBAMA: Good.

CHAIR IMMELT: So that is the Council. Did I capture, team? Good. Okay. This may be the only time we agree, but that's okay, too.

PRESIDENT OBAMA: Fantastic. Well, my understanding is we have got a couple of

CHAIR IMMELT: We're going to whip around and maybe go around and talk a little about what is going on in the economy. Lew, I thought I would start with you and the utility sector.

MEMBER HAY: Okay. I am a bit of a rookie at this sort of thing. So I hope I will hit the mark. You gave me plenty of lead time, like 6:30 last night. I will take my best shot at it.

PRESIDENT OBAMA: Let me just say that that is a lot more lead time than I usually get.

MEMBER HAY: You are the President. So I think our company has a bit of an interesting vantage point on what is going on in the U.S. economy. And, you know, in addition to our utility in Florida, where we are one of the largest utilities in the United States, we serve about half of the folks in Florida. We also have power generation facilities. We are in 26 other states. And we are the second largest generator of power in the country from a capacity standpoint.

So let me start from a macro perspective and give you a little feedback on what we are seeing there. So one of the measures we would look at, of course, would be total power production. And, you know, that is pretty correlated with economic activity.

Clearly after falling dramatically in '08 and '09, we have seen total electricity production start to come back. It has been rising steadily but, frankly, at a slow rate.

Just to give you a couple of data points or at least one data point, December of 2010, electrical generation was up 3.1 percent relative to prior year. Now, with that, having said that, overall management of electricity is nowhere near where the arguments repeat in 2007. So in some regards, this is a good news/bad news story.

If you think about it from a consumer standpoint, the combination of weak demand, plentiful natural gas and abundant supply of power, places for electricity or fuel that we use and things to keep some of our suppliers, like Jeff's company, even our equipment that we buy has come down in price some. So it's really resulted in meaningful savings for consumers. Hopefully that will offset what they are seeing at the gas pump these days. But at the same time, lower demand is causing overall slower growth in our electric power sector.

Now, one thing about our sector is we have very long lead times in terms of building for the future. So our industry continues to invest and is investing pretty significantly.

I only have data from shareholder owned utilities. And, of course, there are some others, municipals and co ops, in the industry, but the shareholder owned utilities are expecting to invest \$85 billion this year in CAPEX. That is hot off the press. We just got it yesterday.

And those investments will be in things like new power plants, new transmission, renewable generation, Smart Grid technology, and other upgrades to the nation's electrical system.

All of this will create jobs and really increase our economic competitiveness in the years ahead. You know, really, with robust demand, you know, if we had demanded where we were in the '07 kind of time frame, you could invest more is what I'm really trying to say and with a little more clarity on some in the regulatory picture with regard to areas like transmission, nuclear, clean energy, things of that sort, the industry really does have the wherewithal to invest a lot more and is prepared to do so. So that is kind of the macro perspective.

From a Florida perspective, what we are seeing is kind of a mixed read at this point. Our state clearly is bottomed and starting to improve. We were one of the first states into the recession and most likely are going to be one of the last ones out.

Our unemployment rate is still high, 12 percent, but from a utility standpoint, we saw for the first time in 3 years significant customer growth last year. And that growth has been gradually accelerating as we went through here in what we have seen so far this year.

You know, we added approximately 30,000 customers last year. And we are basically every month looking at that gradually going up. So that is a pretty good sign for what is going on in Florida.

But we see very, very little improvement in the home construction market. And as a utility, we see that early on because we have to invest in facilities whenever developers want to build, you know, new housing developments and things of that sort.

So while the worst is clearly behind us, at least seems to be behind us, we still have some distance to travel getting back to what I would consider to be normal growth for our business.

I know you are interested in clean energy. So I will just comment on that for a second. On a national front, we saw nobody was banging or nobody was listening to our phone calls for quite a while in selling more renewable power. The fourth quarter of last year we picked up a lot of orders, and we are seeing that momentum continue so far this year.

So we are cautiously optimistic about that, but we are still nowhere near the rate that we were hoping to be at at this point in time and nowhere near the rate that we were at back in 2007 or something like that.

Again, there is a bit of a good news story there as our suppliers have developed, continue to invest in the technology. Wind power especially is getting to be more competitive, lower cost. We capture more wind and that sort of thing. So wind is very, very competitive with all of the forms of electricity generation at this point. And we are seeing a very similar story on the solar side, although solar still has a ways to go.

So overall we are cautiously optimistic, but we still have a ways to go. And hopefully through the work of this great Council, we will keep jobs growing and keep the economy growing.

CHAIR IMMELT: Okay. Thanks.

Ken was going to give an update on small business

MEMBER CHENAULT: Yes.

CHAIR IMMELT: and just general comment.

MEMBER CHENAULT: Yes. What I thought I would do, both, as you said, general economy and small business, I must say that traditionally we have been a leading indicator by around 6 to 12 months for the economic environment. And that has been pretty clear as you look at the past 15 20 years.

What I will go through is what I am seeing but also some concerns that that may not be the case going forward because I think based on what has happened.

PRESIDENT OBAMA: And you may not be the same

MEMBER CHENAULT: That's right. We may not be the same type of indicator because I think that the event that happened, once in 100 years, there are some changes in consumer behavior and there are some changes from a regulatory standpoint that might slow down that growth.

But the first point I would make is if you look at card billings and in our business model, we have 70 percent of our billing, 713 billion, is driven by people who pay in full at the end of the month. It is a major difference. And then you have 30 percent that revolve. And there are some fundamental differences. You can see the change in revolving behavior that has taken place.

In the U.S., the billings growth rate was 13 percent, but the overall industry growth rate for the credit card side was 6 percent. So already you can start to see a demarcation. And I will talk about some of the drivers of that demarcation. And the question is really given the credit situation, if we're going to see a real increase in that six percent number. So that is something I think that we just need to focus on.

Small business, we have seen real improvements in the last year. Small business was a big concern over the last 12 to 18 months, but in 2010, we saw a comeback. So that growth rate was in double digits, low double digits but good, strong growth. And that is continuing. And small businesses were characterized as anywhere from 10 million to 1 billion in sales.

The other side is commercial, large commercial card, which is mid-sized companies. And that is the group that is really 10 million to 1 billion is mid-sized companies. Small business is below that. But middle market and large corporate, we saw a 19 percent growth rate, which we were in negative territory 12 to 18 months ago, 19 percent growth rate. And that is holding pretty well. And, frankly, in conversations with a number of my technology leaders, they are seeing good growth on the technology side. So I think that is certainly encouraging.

And across almost every industry category, period, we are seeing positive growth: a number of categories in low to mid double digits, other categories in the five to seven percent range. And so that is quite encouraging.

What we are seeing, though, is a real demarcation between the affluent consumer and the lower middle class consumer. So the growth rates for the luxury affluent spender have been very strong. So you are seeing in some segments growth rates of over 35 percent for spending.

You are seeing a switch of what I call traditional affluence, who comprised well, there were ten percent of the people who were spending. They were driving 60 to 70 percent of the spending. They are now driving 38 percent of the spending.

And what you are seeing are newcomers, younger people, who are, in fact, not as affluent dramatically increasing their affluent purchasing. And we are trying to get behind that dynamic because it is an interesting dynamic that you have a young group. Obviously a substantial percentage of that group is doing their spending online. And I will get back to that. And that is an important change.

I think that what you are seeing from a behavior standpoint as far as revolving credit and the lending is people are revolving less. Given the environment, they are saying, "I am going to pull back. I want to be more responsible in my lending." People have less access to credit.

I think one of the consequences of the Credit CARD Act, which generally I think was very good, is the impact has been on risk based pricing. So people who are less creditworthy, institutions are less willing to extend that credit to them. And that is just a balancing that I think is going to be very, very important to go through.

If you go to 2010, revolving credit balances were down 8 percent. We were flat down one percent. So it is going to take a big change, a major sea change, to go from this decline to five to ten percent growth in AR.

PRESIDENT OBAMA: Can I just interrupt one second?

MEMBER CHENAULT: Sure.

PRESIDENT OBAMA: I think in your industry, there is some question as to whether consumer patterns were actually changing,

MEMBER CHENAULT: They are.

PRESIDENT OBAMA: where people were using the credit card less or whether this was an aggregation and what they found out was there were a whole bunch of folks on the mainstream and just lost their credit cards, defaulted, et cetera. People who had most of their cards, they were still using them just as much. I wasn't sure about

MEMBER CHENAULT: Yes. Here is the balance. I think that people are not utilizing the credit on their cards as much. So I would say that the change has been more

PRESIDENT OBAMA: So there has been a change in behavior across the

MEMBER CHENAULT: Yes. There has been a change in behavior. And let me give you an example that the rate that people utilize their lines is in the 20 to 25 percent range. So you have got 75 percent of the lines that are out there that are unused, both in consumer and small business. And that is pretty consistent. So that is a major change.

Now, when you ask customers what is the issue, what they will say is uncertainty, uncertainty about economic environment, can they really invest, are they going to take that risk. So they are being, on one level, very rational, but that is a very alarming number to me that 75 percent of the credit out there is not being used.

MEMBER PARSONS: We are seeing the same thing. Citi is seeing the same thing.

MEMBER CHENAULT: Right. That's right.

MEMBER PARSONS: And our book is all credit cards.

MEMBER CHENAULT: That's right.

MEMBER PARSONS: People are paying their balances down.

MEMBER CHENAULT: Right.

MEMBER PARSONS: And they are not accessing

MEMBER CHENAULT: Right.

MEMBER PARSONS: the future lines.

MEMBER CHENAULT: Right.

MEMBER PARSONS: And then banks are pulling back on those. They are taking back the future exposure just so they don't have it.

MEMBER CHENAULT: But the concern I have is with the lower middle class. They don't get the access to credit. And those small businesses that have a more riskier profile, at the end of the day, financial institutions are being more conservative because they don't have the ability to dynamically risk base price.

And so sorting out that balance, I think this behavioral change is something that we really need to focus on as well as how do we make credit more available to certain segments going forward.

The credit performance is improving dramatically. So in the fourth quarter of 2009, the write off rate was 10.1 percent for the industry. The write off rate at the end of 2010 was 7.7.

And, to give you a sense of which we are hopefully I believe an indicator, in '09, we were 7.5. We finished the year at 4.4. And in January, we were 3.8 percent write off rate. So we are very much back in our normalized range. And I would say, for us, while we are the leader, I am encouraged by what is happening with the industry overall.

Now, there is a dynamic that is going on here. People are taking the benefit of their credit provision. Some are putting it right to the bottom line, and some are investing.

What we have done is we have invested a substantial portion of that benefit, which is pretty much a one time benefit. That benefit is going to roll off at the end of this year.

And so what is going to be interesting, while a number of financial institutions are reporting good profits, what is going to be critical is how they have invested that excess provision. And that is why some analysts are really questioning, particularly in the credit card industry, if the earnings were up is going to continue.

But I think some institutions have taken those benefits. And they have invested in them. And that should bode well.

So I think clearly consumers and small businesses, we have got to solve this credit issue, making sure that the lower middle class has more access to credit because now they have less access to credit.

So, in summary, what I would say is we need to stay very focused on this demarcation between the affluent and the lower middle class. There are clearly two very separate dynamics going on. And it is not necessary as I look at it, we are going to see the trickle down that we have seen in past economic crises over time.

Second is, how do we change, make people aware and give them incentives to utilize the existing lines? Just have 75 percent of the lines not utilized from an industry standpoint is highly concerning if we are going to drive further.

And third is access to credit.

The last piece I would also mention is this impact of online spending on traditional retail is a very, very important impact because while it is very productive, the growth rates are tremendous, we're investing in it heavily in the short term, even with traditional retailers, the fastest growth part of their business is online spending. And that will have a short term impact. And we just have to balance that off and understand what are some other industries that we can really drive towards that will help with the short term drive for jobs as well as plan for what will be the growth opportunities as a result of this move to digital.

CHAIR IMMELT: Great. Darlene runs a small manufacturing exporter. So, Darlene, what are you seeing?

MEMBER MILLER: Thank you for having me here today.

Well, speaking from a small manufacturing company, we are small, in Minnesota. Our issue is we have gone through a terrible recession. We started off at 47 people and went down to 21. I am proud to say we are back up to about 38. So we know it is recovering. We are going to be excited about the recovery. We survived. And I like to say we are now at revival mode, instead of survival mode.

Our industry is Precision Machined Products Association. And I think, Mr. President, you actually visited one of our companies in Ohio

PRESIDENT OBAMA: I did.

MEMBER MILLER: in manufacturing.

PRESIDENT OBAMA: That is cool stuff.

MEMBER MILLER: Yes. That's what I hear.

Anyway, our industry tracks manufacturing levels and sales levels. And we use a basis of 100 for 1,000 levels. At our lowest, we were at 67. And January was our best month at 111. So we feel really present, and we really feel excited that we have tipped that and we are now moving back up.

But we have had to make a lot of changes. And a lot of it is our lower value capacity and equipment we have had to let go of because those processes are being done overseas. So we have had to invest in more sophisticated processes and labor because those are the ones that we are going to sell. And as we recover, we see growth only in those areas.

We're seeing inflation in pricing of raw materials, which I think is due to the demand from China. And so all of those costs are increasing. Our energy costs are increasing, rising medical care costs. So we still see raw materials and all of these costs rising again. And so it is difficult to justify adding more people.

That's probably the good news, bottom line. The sad news is that we have become a lag leader. We've become the last market. And we are able to do a lot more with less.

But manufacturers like myself, we know we want to grow. If we want to add baseness, then we have to add more skilled people. And that is our biggest challenge right now. Even though there are some unemployment, we cannot find skilled labor to hire. They are just not out there.

And, you know, we don't really have any unskilled labor jobs. We need people with talents to being able to run these complex machines or run our quality systems who know the medical requirements or the aerospace requirements. It is extremely hard to find these people. Plus, we really don't have the kind of monies to develop and train like we used to before.

Business is picking up. Everything is short. Everything is now. We need it today. We will place the order tomorrow. So we really don't have that time to do all the training.

So that is our big worry, is how can we get the skilled workforce that we really need? And how do we convince people that not everyone needs a college degree, need a technical degree or quality in many fields. but not everybody needs that or a college degree.

Other issues that we have, of course, are, like everybody else, if I could have regulatory and other costs coming down. We're a tiny, little company, manufacturing company, but we do export through our customers to the whole world. So trade agreements are really important to us. The more they make, the more they sell, the more we get to make. So those are three really strong focus points for us.

So, again, I would just like to say I am very confident. I think manufacturing is on the rise. And I know we have the evidence and the growth.

And I really am excited to be here today and to talk with all of you people to create more product in the United States.

CHAIR IMMELT: Okay. Darlene, thanks.

PRESIDENT OBAMA: Before we go forward, Darlene and I don't want to steal any thunder from Penny here, but she has done some really good work on how we build up skills.

You were talking about more skilled workers. And so in some places, you have got a very good relationship developed between industry and the local community college, where they will help design, businesses will help design, the curriculum, hire the folks who come out of the program, might be a year program, two year program. Have you explored that?

In fact, Jeff, your plant up at Schenectady is a good model where they linked up. By having similar needs to what your company needs, they have been able to get a pipeline for the workers that they need.

Were you in conversations with folks locally about that?

MEMBER MILLER: Yes, we definitely have with our community colleges and have ordered them to identify programs in the skill sets we're needing.

A large part of the problem, too, is our equipment. The costs are very expensive. They can be a quarter of a million dollars.

PRESIDENT OBAMA: So community colleges just can't they can't invest the capital

MEMBER MILLER: Right.

PRESIDENT OBAMA: to have a model that people could be trained on? Is that

MEMBER MILLER: Right, exactly. So we are trying to come up with a program where they come into maybe our companies and, you know, bring something to help utilize the expensive equipment but, yet, we give some workers so yes, we are

PRESIDENT OBAMA: Great. Thanks, Darlene.

CHAIR IMMELT: Ellen?

MEMBER KULLMAN: Great. Thanks, Jeff.

You know, 2010, our company, you know, what drove this company benefitted greatly from a strong recovery. Most manufacturing companies did. And what we see is that momentum continues in 2011. And although 2011 doesn't look like it's going to be as high a growth year as 2010 was, there are still a lot of positives associated with it.

You know, we are large in agriculture. Farmers are making money. They are putting a lot of inputs into the ground to get the most out they can. And that is a very positive thing for all the different kinds of companies who supply the inputs into the food chain, very positive dynamic going there.

Automotive. Now, automotive globally grew 20 percent last year and this year globally only seems like it is going to be about 5, but it is positive.

And the U.S. will probably be eight or nine percent. And that is good for a lot of the companies that supplied, whether it is plastics or metal or paint or whatever, into the automotive industry. And the truck business has come back as well. So we see that as a positive.

In the electronics arena, we see positives going into photovoltaics, huge year last year. This year the growth will be probably upwards of 20 percent. A lot of the materials going into the photovoltaic market do come out of plants we have in the United States and plants we have around the world.

Smart tablets, you know, iPads, smartphones, tremendous amount of growth there and a tremendous amount of advanced materials being used in there, so very positive.

The only dark spot on the horizon is construction in the United States. And that is something that none of us expect, really, to see much progress in this year.

Now, the interesting part about it is that when you take a look at the demand we have seen, many of our plants are sold out. We are operating at capacity. And what we need to do is have the confidence to invest in order to be able to create jobs.

And the interesting part of that is it is not my confidence. I've got my customers' confidence and their customers' confidence in bills because the demand signal you know, if we felt the first quarter of 2009, the demand signal was about a week long.

Now we think of it as maybe being about three, four, five months long. But it's nowhere near what we thought it was in 2007 and the beginning of 2008, which we thought it was 18 months long. Now, maybe it really wasn't 18 months, and we have to kind of come to terms with that. But there is that.

You know, a couple of sectors. It's very positive for the U.S. on export. If you look at agriculture, you know, over a \$30 billion surplus. If you look at chemical and chemical related products, take pharmaceuticals out, \$30 billion. Those are the kind of plants in the United States. We are building two right now: one in Kevlar and one in films for photovoltaics. Both will come up this year, two strong areas that we even saw during the recession. But it is the capital expenditures that are going to have to really open up to be able to really create jobs.

For every job, the couple of hundred jobs I am putting in Ohio at that Kevlar plant will create four to five times that many jobs in the community to support that plant. And that is a lot of small business support and the heavy machinery in these things. And we probably get some of it from you.

So we do see that there is that connection. And we have to be in the confidence in capital expenditures to be able to really expand. And that is the demand signal.

Now, what underscores that, I need to talk about confidence. Look at what is happening in the Middle East today, what is going to happen. That is short term. That will play out. We will figure that one out.

But what it comes down to also is research and development. A lot of the work we do in advanced manufacturing is all based on basic research we do in this country, research and development we do.

And there is a connection very clearly in companies like mine, between research and development and jobs. And that is something that is not lost on us. We never increased our research and development activities during global financial crisis. We see that as our future. But I think that we have to talk about research and development and its part in creating jobs in this country because that is where you do get the higher order jobs that we all need the engineers. We all need the technically trained people to be able to support.

What we are optimistic about 2011, we see we are on that glide path. What we have to do is think about what are those few things we can do to shake some of this loose to get the momentum increasing.

CHAIR IMMELT: Matt?

MEMBER ROSE: So, Mr. President, the railroad industry is a great kaleidoscope of the U.S. economy. If you were to take GDP less technologies, we almost mirror that with our units per week. And then we actually saw the recession coming in late 2006. We were doing about 775,000 units a week from last July and throughout the railroad industry.

The low point was 2009. It got down to 550,000. Last week we did 650,000. And that's a week of February with bad weather. Without a doubt, we are a lot better than we were in 2009, but, undoubtedly, we're not nearly as good as we were in 2006.

What we did in 2009, we furloughed tens of thousands of employees. We parked a bunch of locomotives. We parked 500,000 railcars.

So as this thing has started to come back, we have redeployed all of those assets. We are going to be hiring a significant amount of people this year.

We will have record ample spending of the industry, almost \$12 billion. We spend about \$80 billion on our highway system in this country. We will spend almost 12 billion private capital dollars for the railroad industry.

So I think that, you know, quite frankly, my belief is the economy is better than what you read. And you are going to be pleasantly surprised with what U.S. business is going to do in the short term of how this thing starts to come back.

The tax bill that you all put forth in late year, personally thank you very much, but the accelerated depreciation expense sheet was extremely helpful. And I bought more locomotives because of that. So that is the kind of stuff that drives

MEMBER ROSE: So long term, Jeff mentioned, you know, we have some domestic CEOs. I am a domestic CEO. We are not moving anymore out of the country. We are here. We cannot move this railroad. We are here with you the whole time. But I see these companies all over our country that have pulled up plants, pulled up rails, and moved them to different locations. We are always competing with new plants, Mexico, Canada, China, whatever.

And, you know, it comes back to while short term, we are going to focus on jobs, jobs, jobs, long term this whole focus is going to be about competitiveness of the U.S. worker.

And I always just think about, you know, what can we do to make this U.S. worker more competitive? And, of course, it starts with education. And then we move to tax policies. I mentioned what we did in here.

It goes to regulation, which you have identified. It goes to long term energy policy, both affordable and available. And it is those types of things that I think in 15 and 20 years, we will look back and say, "The U.S. worker now is a lean, mean, fighting machine and can continue to be" or "The U.S. worker because of those various issues just can't compete in the global workforce" because what was once a domestic set of supply chains in the domestic workforce is never again. That horse has left the barn.

And this group of 309 million Americans is going to be competing against Mexico, China, Canada, everywhere around the world. We see it. We are moving the raw materials to these markets, hauling finished products back. And we will never get back our ability to just build and only compete within these borders. You know that.

But when we think about the long term structural issues we have, that is why I hope we will focus on long term.

CHAIR IMMELT: So that's a pretty good microcosm of what is going on. And I would say it is getting better every day. There is maybe binaural recovery: rich versus poor. There are certain sectors that are hard hit.

And I think the emerging issues in inflation. I think that would be what the people around the table would say, you know, when you think about what we might be worried about three months from now or six months from now, I think it's, you know, where does all of the volatility lead on a macroeconomic basis? I think that's a pretty good sense.

PRESIDENT OBAMA: To the extent that people are concerned about inflation, you people might want to maybe hear from Tim very quickly before we depart. Maybe you guys have already talked about this, but what we are seeing right now is the core inflation rate is actually not a problem. And we have looked at it every which way. So if you guys are making plans, that is probably not something that you should be worried about.

What is a specific concern in certain sectors is moving energy prices and, even on energy, it is not utility. It is not electricity prices. It is going to be oil prices in particular. We actually think that we will be able to find out the Libya situation and we will stabilize.

The food prices really has to do with what are cost drivers to eat. I think if you ask John, he would say it has to do with climate change, but I don't wade into those politics right now because we are here to talk about jobs.

But I say that only to suggest that the data that we are seeing right now, we are not seeing a broad based inflation trend but, rather very specific sectorially.

Tim, fair?

SECRETARY GEITHNER: Yes. I mean, I think that the basic problem in some sense is that monetary policy in the emerging economies is still very loose. There have been various that have untightened after the crisis. And they are going to have to start to tighten up.

That will take some of the steam out of this pressure on commodity prices because they are going to be growing at a little bit of a modest pace going forward. But that is going to have to happen if we are going to continue the risk of inflation getting momentum globally. And that needs to happen.

We can't, of course, control that, but that will be an important part of doing this.

The other thing you might refer to it's 2:30 now; I think I can say this is that we are going to try to remind people, just thinking about oil, that we have substantial capacity across the major economies in the strategic reserves of the major economies to deploy those reserves in the event we would face some particular risk of sustained supply disruption.

And hopefully by reminding people of that and calling attention to the fact that there is a fair amount of excess capacity in parts of OPEC now, hopefully that will make it less likely. The market still starts to build in higher prices over time.

It won't be protection against that, against all circumstances, but it might help a little bit.

CHAIR IMMELT: Got a few updates on some other activity that have been going on. Steve, we will start with you on the Startup America.

MEMBER CASE: Sure. Well, first of all, I should say it is a startup. It was just announced three weeks ago. And we are still putting things in place, just hired a CEO a week ago, thankfully an entrepreneur who helped start Priceline and over the last five years has run Malaria No More, a private partnership focused on getting organizations focused on malaria in Africa. We are now assembling a board of entrepreneurs to help guide this forward.

The reason it is so important I really appreciate the President's leadership on this and really the entire economic team and a lot of the cabinet folks. They spent a whole day in Cleveland on Tuesday just focusing on this issue of small business.

And the President has been probably a key player in a variety of different breakout sessions with small business owners, entrepreneurs building companies to show the importance of really celebrating their work and really trying to figure out how to take that forward.

The reason this is so important and particularly to get more focused on jobs and competitiveness is if you look at big business, all the large companies, you look at small business, they are both important. But, as Karen Mills said earlier, the real leverage is the high growth companies that can create significant scale and significant jobs. The last 25 years, 40 million jobs were created by startups. And all the net job growth in our economy was created by startups.

So how do we celebrate and accelerate startups? And particularly how do we focus on what is sometimes called speedups, the companies that really have the potential for significant growth?

So the main focus of Startup America and its partnership is to get the private sector working with the government to try to expand the entrepreneurial ecosystems around our country. They are already working well in some places for some sectors for example, in Silicon Valley for social media, it is working pretty well right now.

But there are many places, including Cleveland and many sectors, where we don't have that robust entrepreneurial ecosystem. So we are working a variety of programs, you know, startup universities and entrepreneur's toolkit, the entrepreneur mentor corps. A variety of different initiatives are being put on the table. And it's how do you take programs that are working in regions and bring them to scale and sign a spotlight on them.

So it's early days. It is a startup. But we welcome all your input. And perhaps at the next meeting, we will be able to report on some specific progress and be clear on exactly what the priorities are.

But I really do appreciate the fact that President and his whole team have really made this a priority because even the simple act of celebrating entrepreneurs I think is a major contribution. Now the question is how the private sector supplements that with resources that really help them start new companies and particularly scale the companies with the greatest growth potential?

CHAIR IMMELT: Penny, do you want to go through Skills for the record?

MEMBER PRITZKER: Sure. In October, the President created Skills for America's Future, which is really a response to what Darlene raised as a problem, which is there are jobs out there, but we don't have the skilled labor to fill the jobs. And what we heard was really a need to better connect the business with our community college system.

While many of you may think you don't have that many employees from the community colleges, I think you would be surprised because in our community college system, there are almost 1,200 community colleges in this country. And right now we have over 12 million students taking courses, enrolled full or part time in the community colleges. So this is an enormous part of our education system and one that we feel that we can better utilize if the private sector would get more involved.

So there are really two things that Skills for America's Future is doing. One is trying to create new partnerships. And we have committed to the President that we will try and achieve his goal of creating 50 new partnerships this year. We are on our way. We have about ten. But we would like each and every one of you to become involved. So please, if you will, I would love to talk more with you about what we are doing.

The second thing that we are doing is to help be a place that lifts up the importance of workplace development in terms of both policy and execution and communication. So we have our work cut out for us, which is just a few months ahead of Steve's effort, but we, too, are a startup. But we are moving fast.

Our board is quickly getting put in place. We do have an executive director that has been hired a couple of months ago. And we are out also, out in many communities participating with Secretary Duncan or Secretary Solis at various conferences trying to get the word out. So we would love your participation.

CHAIR IMMELT: Great. Thanks, Penny.

Eric, do you want to give an update on PCAST?

MEMBER LANDER: Well, I will be brief, but, you know, as you know, Mr. President, the major focus of PCAST has been the different ways to fuel the engines of innovation in the country.

We have been working on a number of different things in your report, "Health Information Technology Education." We are going back to those and trying to ask, how can we help with implementation of those reports that are out? There is a lot of action happening, the Department of Energy, for example, and Education.

What is exciting to me is the connection between PCAST and the jobs council because everything we touch in PCAST is about income. So we are in the process of finishing up a report on advanced manufacturing we talked about.

And the connection between this group and PCAST is really essential before we finalize that. There is a new project that we are going to be looking forward with the FDA because we have got to streamline regulations with regard to drug clarity certainty with regard to paths forward.

And so the ability to connect with this group is particularly exciting to me. And so I am very grateful that PCAST is represented ex officio on the jobs council.

CHAIR IMMELT: Jim is not here today, but we could start on the next portion of the Council Secretary Locke put through earlier. And we are 15 percent out from last year?

MEMBER LANDER: Seventeen.

CHAIR IMMELT: Seventeen? So we are on our way. And I think that continues to have a lot of life in it just given how good the markets in Latin America and India continue to be. So that is another I think breakthrough.

PRESIDENT OBAMA: First of all, I thought that this was a perfect summary of some of the challenges. Obviously the key for us right now is to translate this into action.

Just a couple of observations that I gleaned from what I heard around the table. First of all, I do get a sense that there is an increasing bifurcation in the economy we are going to have to impress on some people. And that may be a big, macro issue rather than the smaller micro executive issue.

All of you small to large firms have been very efficient; productivity keeps outskirting all of our expectations. Partly what you are telling me is that retail sales jobs are going to be increasingly going the way of the bank teller and the travel agent. And so you just got a whole swath of employment that is not coming back.

Those folks that have to be trained in order to attach themselves to the industries of the future, some of those are going to be service sector jobs, like the health care industry or what have you. I am thinking about how to prepare for changing demographics and demand for services like health care is going to be a problem that we've got to solve, but we'll have the help of all of you.

I guess that is part of the reason why this Jobs Council is going to be so important because you are going to have to help us identify where is the future of job growth going so that we can start closing that gap between the more affluent sectors of the economy and the less affluent sectors of the economy. And that is going to involve a whole range of things.

It is partly going to be skills development. Part of it is going to be tax policy, fiscal policy. Part of it is going to be how we get startups like Steve's to actually hire people now.

You asked me what worries me about the prospects for our country long term, that's what it is. Partly because it goes back to the energy problem. The problem I am having right now is I don't know exactly where your future customers come from if they don't have jobs and are not using credit cards and they're not buying homes. That is point number one.

Point number two, on the skilled labor side, there is a whole issue of worker training. I tend to agree that not everybody has to have a four year degree. I had a terrific dinner that John Doerr organized out in Silicon Valley. And one of the most instructive comments was Steve Jobs said, you know, we have got 700,000 folks working in China making all our iPads and iPods and whatever else he spoke about. He said the wage differential is not the primary reason we have all of those folks over there. And I didn't completely buy into that. You know, I think he was exaggerating a little bit. I think we need to think about lowering the costs of labor generally.

But what he said was the biggest problem he actually had was essentially the mid level engineer, the manufacturing engineering, not the guy who is going to MIT or Caltech who is going to be designing our products, but it's the guy who is on the ground in the factory who is constantly tweaking, making sure that the operations are functional, effective.

So I mention this because we focused a lot on community colleges and rightfully so, some of what Darlene needs for her company: a two year degree to be sufficient. In some cases it might be a one year technical training course.

But it does seem part of what we should be thinking about we discussed this at dinner was, can we go to the Cal State Northridge, the state school, where a lot of folks want to get a good business administration degree would have some capacity to see to that. Because he's got, what did he say, 30,000 of those manufacturing engineers, something along he wrote a scale.

MEMBER DOERR: He built a city of 70,000 new workers to make the iPad alone. And he has 12,000 manufacturing engineers out of those 70,000. And that's less than nine months old. So it's

PRESIDENT OBAMA: So his point was if those 12,000 were here in the United States, the wage differentials might not be so great. I might consider locating here.

MEMBER DOERR: We don't have those engineers.

PRESIDENT OBAMA: And we just don't have those engineers. I mentioned that because when we talk about skilled labor, we've got to look up and down the spectrum and see how can we work with those institutions of higher education.

The last point I will make, this is a topic that wasn't raised directly. Lew mentioned the whole issue of energy. We have been interested in the issue of energy efficiency partly having to go to broader concerns about the economy and the environment but part of it also having to do with jobs.

I am very interested in figuring out whether you could use the idea of making energy efficient buildings a vehicle for us reemploying so many folks that lost their jobs due to the construction industry. Even if the housing market recovers somewhat, it is not going to recover the race, artificial race, that existed back in 2006 2005. So we're doing some work specifically on that, but that would be a terrific area. I would support some traction on that.

CHAIR IMMELT: You know, just one of the things that we talked about before you came was we want to take on a few things that we can move the needle pretty quickly. I think this fits that bill. It has been discussed. The program is shaped. You know, I think a lot of this stuff is financeable, even in

the capital markets today, without any stimulus or anything like that. So this is one role we will take on, Mr. President, because I just think it is out there and we ought to be focused on a few things that can move the needle quickly.

I'm sorry. Go ahead.

MEMBER PRITZKER: No, no. I was trying to say, Mr. President, there is an idea that it is something I think that could be done within your existing authority, which is a green real estate appraisal, a standardized green real estate appraisal, where you institutionalize how appraisers value energy savings within the buildings.

And I don't believe it requires legislation. I think it is something that could be done regulatorily and get comment and then create that kind of standard that could elevate this notion of the importance to the value of a piece of real estate of its energy efficiency.

PRESIDENT OBAMA: So that is an idea. One last comment because a number of people have mentioned issues of regulatory areas. I told this to Jeff. I mentioned this to some of you. I am absolutely committed and serious to figuring out how we eliminate the regulatory areas that are outdated, aren't necessary, are impeding jobs.

Now, there are going to be equities that have to be looked at because some of these regulations make sure that kids aren't swallowing mercury, make sure that the air is breathable and our workers are protected.

And so if you go around this table, you are not going to get 100 percent agreement about everything, but I am interested in finding some select areas where we can make some big progress.

Eric mentioned the FDA. I have gotten a lot of commentary back on the fact that we designed the FDA with a lot of smart people, good people at the FDA, but essentially their model was designed for having medical devices you see in museums, aren't necessarily well designed for biotechnology and advances in medicine.

So that would be an area where getting a group thinking strategically about how are we it is not just a matter of eliminating one regulation. It is about designing these regulatory bodies so that they are up to speed and more responsive to docketing what may come. That is something that Jeff will be looking at.

CHAIR IMMELT: We have got some appetite around the table. So we will take you up on that one, Mr. President.

PRESIDENT OBAMA: All right.

CHAIR IMMELT: So we will spend the rest of the day kind of going through how we go the next 60 90 days. I think you have given us some things to focus on. I think what we will try to do is we need a short and long term focus, but we are really focused on jobs and competitiveness.

And we want to see you soon. Maybe the next meeting in the field, you know, someplace outside Washington I think would be great. I think we are kind of anxious to get going.

Am I missing anything or anything else?

PRESIDENT OBAMA: No, no, no. I think you guys were right on track. I will go back to what you said earlier. The focus here has to be on jobs here in the United States.

And the reason is because our ability to sustain long term plays like an aggressive trade for investments in R&D, more investments in education.

It would depend on the degree to which the American people feel a stake in your success. If you guys are going gangbusters and making big progress but they don't feel like their benefit is a consequence of increases in productivity, then they will pull back from things like free trade because the attitude will be let's just look out for ourselves.

Investments in research and development, instinctively people appreciate and understand the need for innovation in technology, but if they think that the byproducts of that investment never reach them other than as consumers, then they may say to themselves, "Why do I want to pay taxes in support of that? Let the private sector can do it on their own." Most of us here understand that a lot of the basic research ends up being prohibited for any one company to take it on.

So your mission is so important, not only for the short term. It really will help shape the degree to which everybody feels like the American dream is still available to all of us. And that will help unify the country and bring it together and then speaks to the whole concept issue.

Thank you so much for your great work.

CHAIR IMMELT: Thank you.

**ADJOURNMENT**

The meeting of the President's Council on Jobs and Competitiveness adjourned at 3:01 P.M. EDT

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Jeff Immelt, Chairman, President's Council on Jobs and Competitiveness



John Oxtoby, Designated Federal Officer