

# 2008

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## Working Toward a (New) U.S. Industrial Policy

WRITER: FLETCHER DEAN / SPEAKER: ANDREW LIVERIS, CHAIRMAN AND CEO, THE DOW CHEMICAL COMPANY

Detroit, Michigan, September, 22, 2008

Thank you, Bill (Ford, Jr.) for your kind words and the invitation to be here today.

As Bill mentioned, I was here two years ago. At that time, I shared my concerns about the state of manufacturing and the weak economy. But I am an optimist and in the back of my mind I thought, surely, it can't get any worse, right?

Instead, we've witnessed two years of continual slide capped by the unprecedented meltdown in the financial sector last week. Frankly, we're just now beginning to see the repercussions of that crisis as markets respond and re-settle themselves.

Wall St. isn't the only place feeling pain, of course. Main Street USA is feeling it, too.

People in every town and city across the country are uneasy these days. And for good reason.

Since I was here last, oil has risen from the mid-\$70s a barrel to around \$100 today.

Housing starts are at their lowest level since 1991, and there seems to be no bottom in sight. Consumer prices are expanding at the fastest pace in 17 years, affecting every consumer item from fuel to food.

On top of that, we have the sobering news that the economy lost some half a million manufacturing jobs since the end of 2006. And I'm sure you all saw the jobs report last month for the entire nation: 84,000 jobs lost in August alone.

September, it appears, won't look any better.

And the rank and file employees who are still working? They earned three percent less last month than they had a year earlier simply because of inflation.

Even the small things are more expensive. I saw a report in the New York Times recently that the price for the common paper clip – this small item holding my talk together – is up 40 percent.

As that great American philosopher, Will Rogers, once said, we seem intent on showing the entire world we're prosperous ... even if we have to go broke to do it.

Given all the doom and gloom, it really is hard to remain an optimist. But I am reminded of the advice that I've given others so many times – that often the difference between success and failure is nothing more than pure persistence and hard work.

So here we are, talking again about a difficult econo-

my and what to do with it.

Talking ... again ... about a real energy crisis that will have no quick or painless solution.

Talking once more about how to return this country to a position of strength and vigor.

As Bill said, on my last visit before you I did state that the United States was THE indispensable nation in the world. As a foreign citizen who has benefited enormously from the American freedom and enterprise mod-

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el, I stand by that statement today more than ever.

The world would be a much poorer – and a much more dangerous – place were it not for the United States and its global influence.

But as I travel around the world and I see other countries putting together comprehensive and well thought-out plans for energy, manufacturing and sustainable economic development – I have concerns.

I'm concerned that our economic dependence on others is continuing to increase every day. I'm concerned that we're in the midst of the greatest wealth transfer out of this country in history ... \$500 billion plus spent annually for foreign oil ... and too few in Washington seem alarmed.

And I'm concerned – most concerned – that the U.S. is forfeiting its dominant position as THE indispensable nation because it has lost sight of what first made it strong: a vibrant industrial and manufacturing base that drives innovation, technology – and creates jobs – from the shop floor, to the engineering centers, to the R&D labs and to the white collar offices.

Ladies and gentlemen, let us never forget that the very life force and strength of this great country begins here – in America's heartland. A country can't be strong abroad if it's not strong at home. It can't be strong in China or Chile if it's not strong in places like Cleveland and Canton. It can't be strong in Dubai if it's not strong first in Detroit.

Somehow, our government has lost sight of that. Instead of implementing policies that make our industrial heartland stronger, government has made it weaker. And we've allowed bad economic policies to drive good jobs out of the country.

In fact, between the bankers in New York, the lawyers in Washington, and the actors and entertainers from Hollywood, we have allowed people who know nothing of the might and intellect of our manufacturing base to make laws and decisions on our behalf.

We've allowed them to create an industrial crisis in this country that is undermining our nation's strength ... and they don't even know it.

If you want to do something enlightening, go to the Internet and Google for the phrase “energy crisis.” You'll get over 4,000 stories.

Then search for “economic crisis.” You'll get more than 5,000 hits.

Then search for the phrase “industrial crisis,” something that is just as real and felt just as deeply by everyday Americans. You'll get fewer than 10 stories – and none will be about the United States.

So, yes. I am still an optimist. But I'm an impatient optimist because at Dow we know there is a better way.

So what I'd like to do today is lay out for you the broad components of a new industrial policy. Not one characterized by central planning and the picking of winners and losers. We know that approach doesn't work.

What I'm talking about is a pro-industrial policy crafted and developed by manufacturers for manufacturers, a policy that rejuvenates our economic base.

Consider it a new strategy, if you will, to make American industry competitive again, re-establish our economic and energy independence and re-grow jobs in America.

What are the components of this plan? There are two.

First, we must look with fresh eyes at the structural costs that have weakened the very foundation of our manufacturing enterprises and remove the obstacles hurting our competitiveness.

And second, we must develop a comprehensive energy policy.

Now, I will admit that some people, like the ones I referenced before, don't like the words “industrial policy.” I understand.

But the truth is that in this country today we already have an industrial policy – except, in reality, it's mostly an ANTI-industrial policy – a set of contradictory, ill-planned and ultimately self-defeating laws and regulations that are creating havoc at the manufacturing base.

Consider this alarming fact: Thirty years ago, manufacturing made up nearly 22 percent of the U.S. economy. Today, it's less than 12 percent and falling.

This will be no surprise to anyone in Michigan but the number of manufacturing jobs in the U.S. has fallen by 3.7 million over the past 10 years. We're projected to lose another 1.5 million over the next eight years.

That's 5.2 million jobs – 5.2 million jobs that today pay more than \$17 an hour plus benefits. To put it another way, that's \$190 billion in wages and \$76 billion in benefits.

I ask you this: What elected official in his right mind would develop an industrial policy that destroys \$190 billion in annual wages? Which politician would want to tell the American voters they just lost \$76 billion in benefits?

The sad fact is that nobody intentionally sought to do this. But it's happening right under our noses. Anti-industrial policy is hurting a lot of good people.

If it were just the U.S. and nobody else, it wouldn't matter. But there ARE countries around the world that DO see the uplifting power of manufacturing.

I spent much of my career at Dow working in Asia. I saw first hand how the “Asian tigers” used manufacturing and trade to go from grinding poverty to growing prosperity.

Today the emerging economic powers like China and India understand that when you build an economy from the ground up – make a strong manufacturing base as its foundation – benefits flow to everyone.

Those nations are our competitors and many of them are beating us at our own game.

Do we have to change? Well ... no. As the quality guru Edward Deming put it: Change isn't necessary. No one said survival was mandatory.

History is replete with once-great countries that

have dissolved into obscurity precisely because they didn't change.

If we want to keep the economic lead we've had for a century, however, we have to re-tool a few things. If we want to keep the many benefits that accrue from a strong economy, we must change course.

Times change, and strategies have to change with them.

And we have to start, first and foremost, with the structural costs that are suffocating industry in this country. We must level the playing field by removing the artificial, ANTI-industrial policy costs that disadvantage American businesses against the rest of the world.

Think about this. The 14 million men and women who work in U.S. manufacturing created about \$1.6 trillion of wealth in 2007.

That's a huge, almost mind-blowing number. But the sad fact is it could be so much larger, and we could be so much more competitive.

We're burying our manufacturers under red-tape, weighing them down with structural burdens that push our production costs a staggering 32% higher than our major trading partners.

Understand: I'm not talking about top-down economic planning in any way, shape or form. I'm talking taking into account Tom Friedman's "flat world" and using a little forethought about the policies that affect business.

I'm talking about little more coordination with policies in place already, and a lot more coordination with reality.

And I'm talking about resolving the conflicts in law and regulation that hamper our abilities to do business efficiently and effectively.

I propose work in four areas to bring our costs in line with our competitors.

Lowering the corporate tax rate.

Re-inventing regulation.

Reforming our civil justice system.

And finding a solution to the crisis known as health-care in America.

Each one of these puts U.S. industry at a competitive disadvantage above and beyond the cost of labor. And each one of these burdens could be lightened or eliminated by our own government.

I won't go into each of these for the sake of time. Besides, most of you already know, for example, that America has the second highest corporate tax rates in the world.

But did you also know that of the 30 members who comprise the Organization of Economic Cooperation and Development, nine dropped their corporate tax rates last year to attract more investments.

Germany dropped its tax rate. So did Canada and the UK. Even the Czech Republic!

Not the U.S. Why should that be?

As one great leader said, some in this country regard private enterprise as if it were a predatory tiger to be shot. Or they look upon it as a cow they can milk. Only a handful see it for what it really is: the strong horse that pulls the whole cart.

That was Winston Churchill who fought his own battles a half century ago to keep Britain's economy unencumbered and vibrant. He was unsuccessful, if you hadn't noticed.

If you want a cautionary tale about what this economy could look like if we continue to push manufacturing out of the country, look across the great pond. The service-based economy of the U.K. rises and falls at the mercy of others.

This point is really being brought home right now as the financial crisis in the US has been felt in full force in the UK, which has no other sector available to buttress this effect.

We can't afford to follow down a path of economic malaise like U.K. by destroying our manufacturing sector.

Making things – real, tangible things – still matters.

The leaders of this country should remember that the word "industry" created this great country's might by opening up the West ... by fighting two World Wars ... by putting a man on the moon ... and by improving our lives and the lives of our children by creating high paying jobs and rewarding careers.

They should remember ... but they don't.

Instead, they've saddled it with huge corporate taxes ... AND a crisis in health care costs ... AND an out-of-control civil justice system that adds a huge cost burden to American enterprise ... AND an inefficient regulatory system that costs us as much as \$10,000 per employee in the manufacturing sector.

Don't we owe it to America's families, and especially to the next generation, to put back in place a Pro-Industrial Policy that stimulates investments and jobs by removing the structural costs that are holding us back?

This brings me to the second key component of an Industrial Policy for the 21st Century – the need for a comprehensive Energy Plan.

I don't need to tell those of you here today that energy is the life-blood of our modern economy. But I do want to point out that the current energy crisis goes far deeper than the price of gasoline at the pump and those high heating bills on the way this winter.

Here's what I mean by way of an example. Dow is currently on track to spend \$32 billion – yes, I said billion with "B" - \$32 billion this year on energy and feed-stock costs. That's more than the entire U.S. chemical industry spent just a few years ago.

That's just one way to measure the impact of rising energy costs. The race for affordable energy also affects where we invest and where we build plants.

Keep in mind that every dollar of energy consumed

creates 20 dollars of GDP value-add. That dollar also creates five of the kind of high-paying manufacturing jobs Michigan and every other state needs so badly.

It seems like common sense to keep those kinds of investments inside our borders.

Instead, most of those investments are now occurring outside the U.S.

Dollars are flowing - in unprecedented amounts - to places like China, Saudi Arabia and Kuwait, and many other countries that want the value-add to their economy that manufacturers bring.

What I don't understand is why our political leaders don't see that.

Maybe it's because they hear TV commentators say the price of oil has "dropped" to \$100 a barrel! Or that gas has "dropped" below \$4 a gallon! This type of irresponsible reporting is creating a false sense of security.

It does, however, confirm what James Schlesinger, the first Secretary of Energy in the U.S., first noticed decades ago: When it comes to energy policy, he said, America has only two modes: panic and complacency.

A slight, temporary moderation in price is no excuse for complacency. \$100 oil brings me no comfort. Gas at \$3.70 is no cause for celebration.

Frankly, this country needs a little panic because the truth hasn't sunk in yet. We have entered a new era in energy - one driven by a new global fact of life: less supply and more and more demand.

Even with greater conservation, energy consumption is soaring. It's forecast to rise 53 percent between now and 2030. Earlier this year the International Monetary Fund put out a report projecting the number of automobiles by themselves increasing 2.3 billion by 2050.

The good news for Detroit is that somebody will have to manufacture all those cars. The bad news is that we'll still have to power them and they'll still add to our growing energy consumption.

And despite the exponential increases in the amount of wind, solar and renewable energy coming on line, the fact is that these sources won't be able to keep up with overall demand.

So the energy of tomorrow - like today - will depend predominantly on fossil fuels: oil, natural gas and coal.

Everyone in Washington knows this. So where's the policy to deal with this new reality? This country doesn't have one.

I say "this country" has no strategy. But what I really mean is that Washington has no coherent strategy. Americans everywhere else already know the solutions.

Ninety-two percent of Americans believe that developing alternative energy sources is a step in the right direction. 88 percent want cars that are more fuel efficient. 67 percent believe we need more oil refineries and 73 percent believe off-shore drilling is a good idea. And, I'm heartened to say, 82 percent believe that conservation is

important to our overall energy policy.

Even in Santa Barbara - the city where 200,000 gallons of oil spilled offshore some 40 years ago and where the movement to ban off-shore drilling began - even Santa Barbara gets it. The County Board of Supervisors there voted just last month in support of new drilling off its shore.

When it comes to energy, there's no ideology among the American consumer. Almost everyone wants more conservation, alternative energy, greater fuel efficiency, and environmentally responsible offshore drilling to help us right now.

And, yet, here we are ... constrained by the old politics, separated by silos of thinking and ill-served by politicians intent on fighting the last war instead of the one in front of us.

And what is most worrisome to me - what is most vexing - is that Washington doesn't understand that the energy crisis isn't just about energy. The energy crisis is also about jobs ... about manufacturing competitiveness. And at its base, the energy crisis is an industrial crisis that is threatening America's strength and standing in the world.

Four years ago we at Dow proposed a way out of this. We proposed an Energy Plan with three key components.

The first is to pass comprehensive federal goals on energy efficiency and conservation. To me, this is common sense.

Now, I realize I'm in Detroit and energy efficiency goals sound like code words for new fuel standards. It's heartening to see all the Big Auto's developing new models to consume less fuel. But what I'm mostly talking about here is improving the efficiency of buildings.

Consider this: buildings are responsible for 40 percent of our total energy use, 70 percent of our electricity use and 38 percent of our CO2 emissions. A combination of federal incentives and local energy efficiency building codes could lower all of those numbers and significantly improve this country's energy security.

A very achievable 25-percent improvement in the energy efficiency of our economy would save this country the equivalent of all of its oil purchases from the Middle East and be the foundation for a secure energy future. It's the first and easiest step to implement.

The second component is to increase and diversify our domestic energy supplies. This is simple logic.

We have the oil deposits here. We have natural gas deposits. And we certainly have the coal reserves.

We should be accessing - responsibly and safely - every source we have to produce as much energy as we can at home.

We also have the best technology in the world. Why not use that to build new, safe nuclear power facilities? Why not begin - today - an Apollo-like R&D project to solve the carbon capture and sequestration question so we can use - safely and responsibly - that 200-year sup-

ply of coal beneath our feet?

The third component of our plan is to accelerate the development of all alternative energy sources – including renewables – and provide the financial support on research and development to get us there.

Given the situation we're in today, it's amazing to me that this Congress can't even seem to pass an extension of the Renewable Energy Tax Credits and, as a result, is putting this country's renewable energy industry – along with 100,000 jobs and \$20 billion in investments – at risk.

Congress should also live up to its commitment and fund the direct loan program it created last year to help lower the cost of capital so the auto industry can retool to make more fuel-efficient vehicles.

The fact is we don't need to limit our possibilities by limiting our choices. Solar. Wind. Biomass and other renewable and alternative supplies. We need them all. And we need them now.

Will these give us energy independence? No.

Energy independence is a pipe dream for the U.S. But these steps will help us achieve the more realistic goal of energy security.

And, while I'm at it, let me remind you we have to do all of this within the context of reducing our carbon footprint. That's why Dow – along with the Big Three automakers, other large and diversified companies and leading environmental groups – are members of the U.S. Climate Action Partnership and are committed to driving the Federal government to adopt measures to reduce greenhouse gas emissions.

So there are three steps to Dow's Energy Plan for America.

Improve efficiency and conservation.

Diversify domestic supplies.

Find new alternatives and renewables.

If we take these steps – in concert with one another – we can literally provide the fuel that will restore the power to American industry.

Do these sound familiar? They should.

They are now being talked about more and more ... by more and more politicians, companies, CEOs, and yes, even the President of the United States and the two candidates that want to succeed him.

I suppose we should be pleased that this plan is finally being talked about. But it's hard to take pleasure when all we hear is talk.

We have yet to see any significant action by Congress. We have yet to see a bipartisan approach to getting it ALL put in place. And I mean ALL.

Not what partisanship brings us, but what common sense demands we do.

The right path forward is not one of "divide-and-conquer." That's what got us into this mess to begin with.

The right path forward – the only path forward – is one of collaboration and coordination: public and private sectors, Republicans and Democrats, industry and environmentalists, working together with the goal of finding and removing obstacles.

And we need to start where the major challenges of our day intersect: on manufacturing ... on jobs ... on energy ... and the environment.

That's what we call the Dow Energy Plan for America – a workable plan and a real solution to rebuild the industrial base in this country and put Americans back to work.

One of the things I love about democracies – like America – like my native Australia – is that every few years we get to elect new leaders and chart a new course.

This country is entering an historic era. It will elect either its first African-American President or its first female Vice President.

And this new leadership must marshal the courage to re-establish America's place in the world as THE indispensable nation.

If this nation is going to live up to its legacy – if it's going to fulfill its potential of independent influence – our leaders must remember that its strength comes not necessarily from strong politicians ... but from a strong economy. Not from strong words ... but from strong, practical policies that rebuild the industrial heartland and create new jobs for Americans in every part of this great country.

We do that by removing the artificial anti-industrial policy costs that disadvantage American manufacturers.

And we do it by insisting – at every turn – on an energy policy that promotes efficiency ... alternatives and renewables ... AND new domestic supplies.

We at Dow are committed to this defining idea and plan. We are committed to this state and to this great country.

And I look forward to working with all of you – in the private AND public sectors – as we build this new future together and re-establish America's preeminence in the world. 🏰

SPECIAL RECOGNITION: GRAND CATEGORY  
GOLD: TRANSPORTATION CATEGORY

## The Collaboration Zone

WRITER: RON KIRKPATRICK/SPEAKER: BOB CARTER, GROUP VICE PRESIDENT  
AND GENERAL MANAGER, TOYOTA DIVISION  
Traverse City, Michigan, August 14, 2008

Thanks, Dave and GOOD MORNING!

By a show of hands, how many of you think things will get WORSE in the next two years?

OK...I understand...today's economic headlines can lead many of us to feel that way.

Now...how many of you think things will get BETTER in the next two years?

Fantastic!

Do you guys want a job?

I don't know about you...but when facing hard times...I want to work with people who are positive about the future...who know tough times create opportunities.

Because...when it comes right down to it...how we THINK about the future determines our course of action...and our results.

And preparing for the future is what I want to talk about today.

Like anyone who's been in this business for awhile, I've seen a bunch of ups and downs.

Everyone can live with the ups...but when the market turns south...the TRUE movers and shakers of this industry come together and develop ways to improve.

That's what this conference is all about...and I'm glad to be here with you.

Together, I'm confident we will find ways to help all of us in "Transcending Turbulence" that's swirling around our industry.

You notice Dave Cole was pretty clever in choosing that theme for this conference. He didn't say "Tame the Turbulence" or "Ride Out the Turbulence". That would indicate...that at some point...the turbulence might go away.

Instead, he's calling for us to "transcend" it...to rise above it...because turbulence will always be a part of this business as it reacts to the highs and lows of social, political and economic trends.

Things are always rising, falling... or changing...creating turbulence.

Turbulence is tough and unpredictable. But it's also exciting and challenging. And, if we work hard, it can bring out the very best in us.

And that's what I'm proposing today...that we bring out the best in our thinking to move us forward during the rough turbulence we're experiencing this year.

It seems like a double barrel "Perfect Storm" right now.

Many of you are with auto suppliers and you're seeing your companies being caught between rising costs and slumping orders. It can seem like a no-win situation.

You can't absorb the cost increases...you can't pass them on...and the economic downturn puts your current production at risk.

When Ford is considering 4-cylinders for the F-150... GM puts Hummer on the block...and Toyota is slowing down production...things are seriously out of whack.

So where do we turn for help?

Well, we turn to each other.

As an industry, we cannot let automotive suppliers... the very backbone of this business... collapse at a time the industry needs them the most.

Today, the automotive supply industry produces two-thirds of the parts used in vehicles and even more will be expected as we enter an era of smaller, cleaner, safer, more efficient vehicles.

At Toyota, we depend on more than 500 supplier locations in North America to provide our 13 plants here with \$30 billion in parts...materials...goods...and services per year. And it's the same story throughout the industry.

As automakers...it's in our best interest to promote healthy and prosperous suppliers...because frankly...we can't make it without them.

So how do we do that in times like these?

The only way to survive the current economic challenges and the even more critical regulatory challenges that will define our future...is to work together.

We have work together on creative solutions that benefit our ULTIMATE customers...the people who rely on our products everyday to move them forward in life.

And those people are speaking in a loud voice about what they want...they're calling out to the auto industry for four cylinders and 30 miles per gallon.

It's true. 50% of the motor vehicles sold in May and June were powered by four-cylinder engines...the first time that's happened in the modern history of the auto industry.

That sort of shift rattles every auto company and it means we're looking for our supply partners to be quick-footed in helping us make the needed changes to the supply chain.

NO auto company can go it alone any more. We're in the collaboration zone...folks...and it's in our best interests

to work together for the good of our customers and society.

Look...at the end of the day, we work for our customers...and they want change and our government wants change. We can fight it...or we can adjust and adapt to the new order.

And with costs rising, energy shrinking and environmental concerns rising, we HAVE to respond quickly.

There's no more timeouts...the game is on the line here.

We have to radically revamp our lineups...create cleaner technology...and work with others to develop new energy, new fueling stations and smarter roads.

And that can only be done through collaboration, innovation and taking risks.

Great ideas will not only rescue us from the current downturn, they'll help us meet the even greater challenges that lie ahead.

New CAFÉ standards...global warming proposals...and Zero-Emission Mandates are right around the corner...and frankly...our industry is not ready.

Customers expect us to provide reasonable solutions to these issues and we've been slow as an industry on the up-tick. It's time to change that.

The future will belong to those suppliers and those OEMs who effectively work together and generate the best ideas. It's that simple.

OK, along about now, I hear you saying, "Sure all you big OEMs say you want collaboration and the best ideas, but you're impossible to reach and you won't listen to our good ideas."

OK...fair enough...and that may have been true in the past.

But that was then...and this is now. Our backs are against the wall and we ALL need help to get better. YOU have great ideas...bring'em on.

Now I can't speak for other manufacturers, but I can tell you that Toyota is fully open to new ideas. We will listen... we will review them at the highest levels...and we will work with you as a close partner if we agree to collaborate on an idea, product or service.

Toyota's philosophy has always been to work closely with suppliers and do whatever WE CAN to make it a profitable relationship.

Let me give you a recent example.

During development of our full-size Tundra pickup, we began searching for unique features for the truck that would wow customers and exceed expectations.

To get the best ideas, we put the word out among suppliers.

A new supplier...Multimatic...answered the call with a damper-style system for the tailgate. Since dimensions of the new Tundra had increased dramatically, it was important to find a way to make it easier for customers to open and shut the bigger, heavier tailgate.

Multimatic had the right product and the ability to produce the part...so we placed our first high-volume or-

der with them.

Why did we entrust the handling of a complex system on such a vital product with a new supplier?

Because Multimatic did their homework...they had submitted other ideas to us over the years...and they invited us to their plants to show us their methods.

Even better, they used our feedback to modify their product, upgrade their quality checks and apply the Toyota Production System to their workflow...all before we made any commitment to them.

In short, Multimatic's persistently positive attitude proved that they wanted a long-term partnership rather than a short-term business deal.

And this partnership has met all of our expectations.

In fact, is there anyone here today from Multimatic? ...I'd like to acknowledge their efforts and thank them for the partnership...no...OK...they must be out coming up with new ideas.

Now, with Tundra production cut back, you might think Multimatic won the battle and lost the war. But the full-size pickup market will recover and continue to be a viable segment and this supplier will profit along with Toyota as it rebounds.

So, I can tell you...without hesitation...that Toyota is definitely interested in supplier ideas... and we're willing to work with those who bring us good ones.

To find out more, I urge you to visit [toyotasupplier.com](http://toyotasupplier.com) or talk to us at supplier industry events. I think you will find we are quite open to new ideas...and I'll bet other OEMs are more open than they've ever been.

And it's critical to propose your best ideas NOW as we deal the current economic slump and start grappling with the difficult regulations of the future.

So, where does Toyota see the industry going in the short term?

Well, we're in for a rough patch.

I think we were all hoping for a recovery that looked like a "V" on a chart... meaning the market would go down...then rebound fairly quickly.

But instead, we think the recovery will be shaped more like a Nike swoosh...with gradual improvement in 2009...and then steady progress into 2010 as our economic fundamentals regain solid footing.

We have to realize, that many of these events...while painful...will stimulate remedies that help prepare us for a stronger economy and healthier consumer finances in the future.

And ... we're still quite bullish on the industry's long-term outlook.

Just look at the U.S. population growth. It's the BEST in the developed world ... and WILL BE for some time.

America recently passed the 300 million mark in population and we'll add another 32 million people in the next 12 years.

That's like adding another Florida... New Jersey...



and Maryland...COMBINED.

That growth... plus a stronger U.S. economy...will drive us to new heights of productivity and sales.

We do see a time...in the not too distant future...that annual auto sales WILL reach 17 million vehicles again... and probably go higher.

It will be a new day for us...but a DIFFERENT day because of the MOMENTOUS changes being driven by new regulations and the desire for people to drive cars that conserve fuel and help the planet.

Sure high gas prices are a huge motivator, but nearly every report we see these days points to a major shift in consumer thinking.

People want vehicles that are cleaner for the environment...use less fossil fuel...and produce fewer greenhouse gases.

If we want to remain a viable industry in the 21<sup>st</sup> century, we MUST respond to those needs.

We need to rollout more hybrids...and continue to perfect ethanol...clean diesel... electric cars...fuel cells... and other alternatives.

I know that's easy to say, but I'm proud to tell you that...at Toyota...we're putting our money where our mouth is.

Among other things, we're working on start-stop systems...highly efficient, compact 6-speed transmissions... and an eco-driving switch that conserves fuel by monitoring and controlling functions like gear-shift timing and air conditioner settings.

For hybrids, we're working on smaller, lighter components to bring costs down... plug-ins with lithium ion batteries for fleet customers in 2010...and a next-generation battery we hope will perform even better than tomorrow's lithium ion cells.

We're also working on ways to produce ethanol from crops that won't compete with food supplies...including...would you believe...YEAST!

I thought that would get a RISE out of you...

Sorry, it was there and I had to go for it...

And hey...if the yeast doesn't work out...we can always use it to brew some beer!

And we're not alone. ALL major automakers and suppliers are working on ways to meet the demands of a world running low on oil and high on greenhouse gases.

We need to help and encourage each other and band together on solutions so we can show society this IS an industry with a heart...and a future.

And ... at this point...we shouldn't rule out anyone or anything that might help.

In fact, there are lots of fascinating ideas out there right now...maybe you've seen some of them.

I'm talking about:

- satellites beaming clean solar power to earth...
- variable geometry camshafts...
- making ethanol from leftover heat from nuclear

power plants...

- and developing designer organisms that will churn out clean-burning hydrogen.

In Southern California...where I come from...they're even talking about turning sewage into energy...or...as we like to say..."poop into power"...

Seriously, a local sanitation district plans to siphon methane gas from waste holding tanks to create enough hydrogen for filling 50 fuel-cell cars per day.

Kind of gives a new meaning to the saying, "When you gotta go...you GOTTA GO!"

All these creative ideas have potential, but my personal favorite is algae. You know...the green, mossy stuff you see in ponds and pools...it's yucky, right?

Well, it just maybe one of the keys to the future.

Sapphire Energy, an upstart firm in San Diego, is developing a process that uses algae...sunlight...carbon dioxide...and non-potable water to make "green crude" that can be converted into ultra-clean gasoline and diesel.

Now whether or not any of these ideas ever make a huge impact is not as important as the fact that we ARE creatively looking at any...and all...solutions to the challenges we face.

So let's use the tough times to bring out the very best in our ingenuity and to ignite the full talent and power of this industry. Together, we can face...conquer... and eventually prosper...from ANY adversity.

Well, we've covered a lot in a short amount of time, so let's review our key challenges and possibilities.

First...the current economic turndown will last longer than we'd like...But we will work through it ...and business will get much better...so let's not let negative attitudes slow our progress.

Second...formidable challenges beyond this downturn will severely test our mettle. How we deal with CAFÉ regulations...zero emission mandates...and global warming will surely define our leadership in the 21<sup>st</sup> century.

And third, the only way we can survive...and thrive... is to collaborate, share our best ideas and build alliances that will blossom and endure.

Which brings us back...full circle...to what I mentioned in the beginning...that our attitude about the future makes ALL the difference.

If you believe things will get worse, you're likely to take a negative, counter-productive attitude towards work.

On the other hand...If you believe things will get better...you'll work diligently to make that happen...and in the process...open up new horizons.

It's not mind over matter...its human nature.

So I ask again...no need for a show of hands...how do YOU feel about the future?

Is it full of hope and promise... or helplessness and despair?

You know...the truth is...we can't control the economy...or the government...or what people want to buy. But

we CAN control how we “respond” to them.

We can choose to TRANSCEND the turbulence.

So...together...today...let's start a trend for the better.

Let's start focusing on our best abilities...and possibilities.

Let's work more closely together for the greater good

of our customers...our industry... and society.

And let's go forth from this conference with a renewed spirit to inspire others to CONQUER...rather than fear...the future.

It's time for a new beginning...and WE are the hope for the future. 🏆

## SPECIAL RECOGNITION: GRAND CATEGORY

### SILVER: ENVIRONMENT AND CORPORATE RESPONSIBILITY CATEGORY

# Building a Business for the 21st Century

WRITERS: PETE WEISSMAN & NEVILLE ISDELL / SPEAKER: NEVILLE ISDELL, CEO, THE COCA-COLA COMPANY

Chicago, Illinois, May 8, 2008

Thank you, Dick Vie, for that introduction and also for raising a question of my sanity in moving out of the Caribbean. I'm thrilled to be here today. Kaarina, members of the Board, distinguished members and guests, I'd like to say that I'm really privileged to be in this very historic room addressing you and your newly elected Board today.

#### ► A Historic Anniversary

It's also a very special day in the history of The Coca-Cola Company. Today is May the 8th, and it was on May the 8th in 1886 in Atlanta that a pharmacist named John Pemberton poured the world's first glass of Coca-Cola. So, today we're 122 years old, and today we will sell, of all our products, some 1.5 billion glasses in about 200 countries around the world.

This is also a very appropriate place to mark that anniversary. Throughout our history, Chicago is where we've shared new ideas, where we've very often transformed our business, and I hope, in a little way, to continue that tradition today.

It was here in Chicago in 1893 at the World's Columbian Exposition that many people from around the world first got their taste of Coca-Cola. Back then, a server — what they called a “soda jerk” -- poured water in a glass and some syrup and hand-mixed it to the right recipe.

Eventually, we invented the world's first automatic fountain dispenser. And guess where we unveiled it? Here in Chicago at the “Century of Progress Exhibition” in 1933, and that was a transformational event for our Company.

#### ► Here To Share A New Idea For Business

Today, I want to share something that is an idea, but not a product. But it's an idea that I think has relevance for businesses of all sizes. It's something I think we need to carry into this century as we think about how we act differently. So, it's not an innovation in the classical sense of the word, but it is an innovation in terms of how

we deal in the world.

#### ► We Don't Have All The Answers

We're about innovation. You've got on your table the aluminum contour bottles which we are starting to develop and which are now in Chicago. And, of course, we've been through various innovations. Do you remember Classic Coca-Cola? [Laughter.] Actually, do you remember New Coke? Well, I raise that because I don't want to sound as if I've got all the answers, or we have all the answers, because, like all of us, we make mistakes, and we can build off those mistakes.

Today's idea is a new way of thinking about business. A new understanding of how we must connect with society, if we are going to grow, and grow profitably, in the 21st century. It's a list of 6 requirements for business success in the coming decades.

Before I get to them, though, I need to offer some perspective. This is a journey of discovery, and it takes a journey to deliver sustainable growth in this new era.

I think one of the great things for me, coming back over the last 4 years, is that I am once again on a continuing journey of learning. And therefore, what I talk about today is for all of us, for our Company and for me, a work in progress, and it always will be.

#### ► Despite The Slow Economy, We Must Focus On The Big Picture

I also recognize that I'm coming here today at a time when many businesses are struggling to survive and make their payroll, and so talking about the big picture may not seem appropriate. But you cannot ignore the big picture because if you don't attend to it today, you won't be ready when the economy rebounds.

And by the way, you don't have to look far to see how “getting the big picture right,” as I call it, pays dividends even in a slow economy. Just look at a company called McDonald's, which has just delivered 60 consecutive

months of global comparable store sales increases.

I'm honored that my customer Jim Skinner, is here and that Andy McKenna is a member of your club. I'd like to honor Andy, who unfortunately had to withdraw at the last minute today, and I'd also like to pay tribute to Ralph Alvarez, who's been part of the team that has been engineering a remarkable turnaround at McDonald's. But even more impressive — and I don't know anything near as much about their business as the three people I've just mentioned, but I know a little bit — is that they're growing in a way that is sustainable, and that genuinely strengthens the communities in which they serve around the world.

► **A New And Different Era**

As I look at the big picture, I see challenges that go far beyond one quarter and far beyond a good year. We know the story of our planet — that it is facing new pressures which, in many respects, may threaten our very survival. Our natural resources from water to oil to food are under serious strain. The world's population continues to grow, often in places where it can not be sustained.

**New Expectations Of Business**

Now, in the past, there was an expectation that it was governments that were going to answer to these problems and these crises, and that it was governments who were wholly responsible for these solutions.

Today, however, the paradigm is different. Consumers have much higher expectations of us, of business. They expect us to be part of the solution on everything from climate change to health and wellness. Increasingly, consumers are basing their purchasing decisions on how they feel about a company, so the reputation of the company is part of the reputation of the brand.

► **We Need A New Business Model For The 21st Century**

The old way that business was defined is no longer sufficient and is part of the last century. It is also part of Chicago history because it was Milton Friedman who argued that the only social responsibility of business was to increase its profits.

Today, business leaders who continue to define social responsibility so narrowly — in my judgment, in our judgment — take their businesses and the planet down, what I think, is an increasingly unsustainable path.

So, the 21st century brings for all of us a whole new set of expectations. It is no longer sufficient to be profitable, though it is essential. It is also no longer sufficient to just provide a high-quality product or service. We need a revised business model that puts business in that broader context.

Now, the model still includes the basics — serving a market need, obviously being entirely legally compliant and rewarding shareowners. But the new realities of the 21st century say that clearly, we must go well beyond those basics. In fact, to service our shareholders well,

this is what we must do.

► **The 6 Requirements**

So that brings me to the six requirements that I mentioned earlier, the six requirements for a more successful and a more profitable company in the 21st century.

\* A 21st century business supports the sustainability of the communities it serves.

\* A 21st century business partners in new ways with governments and with civil society.

\* A 21st century business is truly local and a functioning part of every community in which it operates.

\* Fourth, it must be in every aspect a responsible employer.

\* A 21st century business must draw on the diversity of the people in its own marketplace to win in that marketplace.

\* And finally, a 21st century business must have continuity. It must manage change without disruption.

**I. Support Sustainable Communities**

So, let me start with the first requirement, which really is based on a very simple truth.

If the communities that we serve are not sustainable, then we do not have a sustainable business, period.

I define sustainability in a way that a United Nations commission defined it more than 25 years ago:

“Meeting the needs of the present without compromising the ability of future generations to meet theirs.”

Sustainability starts within the four walls of each of our companies by examining the impact that we make in areas like energy, carbon, packaging, and water, and then innovating and making the corresponding improvements.

Then, we need to step out of our own walls to understand, work with, and help our suppliers, and to learn from our suppliers and the communities that we serve. We always need to ask: What are the factors that impact those communities' health and well-being?

Perhaps the most visible example of transforming your business around sustainability is Wal-Mart. Lee Scott and his team have set some remarkable goals. Here are a few of them:

\* to be powered 100 percent by renewable energy,

\* to create zero waste,

\* and to sell products that are good for the environment and that sustain resources.

And I can tell you, these are not slogans. In our business, each and every day we work with Wal-Mart in our area to help put these goals into action up and down the whole supply chain. And what we've been learning from each other — because this is interactive — is something that helps The Coca-Cola Company become more sustainable.

► **Sustainability Efforts Must Be Relevant to the Core Business**

It's very important that whilst we're supporting sustainability, a company's efforts need to be connected to the core of its own business for it to be relevant. It's what I call "line of sight." If you don't have "line of sight" with your core business, it's going to lose support with your shareowners. It's going to lose support with your board members. If you look at the past at some of the philanthropic efforts, I would say that it should not be a pet project of the CEO — or dare I say it — his or her spouse. I'll let that sink in a minute.

## 2. Partner With Governments And Civil Society

The second requirement is partnering with governments and civil society. In the 21st century, businesses must collaborate in new ways with governments and with civil society on issues where it is appropriate and relevant — again I repeat relevant — to play a role.

You know, the challenges that we're facing are just too urgent, and they're too complex for governments alone, for businesses alone, for NGOs alone to solve. It's only working together where we can really make a difference, where we can really create a multiplier effect that helps build sustainable communities and addresses the issues of our planet.

On Monday, I was in London with the British Prime Minister, who was reaffirming his support and his government's support of the Millennium Development Goals, and he actually said exactly these words — that he didn't feel that governments today could be successful without what we call a triangle — the triangle of sustainability, which is anchored in business, government, and civil society. It is the key to accelerating sustainable development.

At The Coca-Cola Company, we've partnered with governments and NGOs on addressing the water challenges facing communities around the world. We're partnering with USAID — the U.S. Agency for International Development — on community projects in 17 countries. It's helping a quarter of a million people in those 17 countries.

We also have a very significant partnership with the World Wildlife Fund. One arm of that partnership is designed to conserve seven of the world's most critical freshwater river basins, which span some 20 countries.

Last year, I signed the CEO Water Mandate, which is an initiative under the UN Global Compact, which we also endorsed with the Secretary General. These partnerships help us leverage our efforts, as we do good for our communities, whilst also being good for our business and being clearly relevant to our business.

## 3. Be A Functioning Part Of Local Communities

The third requirement is that a business must be — both in perception and reality — a functioning part of every community in which it operates. And it's the perception part that's hardest. You have to be and be

seen as part of the local fabric of the community and as something that adds real value to the neighborhood. Otherwise, you're not going to have the social license to be able to grow. Unless you're seen as a net positive for the community, you — over time — are not going to get the approvals you need to expand your businesses and to be free of government intervention.

## 4. Be A Responsible Employer

Fourth, a 21st century company is a responsible employer in every sense of the word from respecting human rights and workplace rights, to creating a safe, healthy and open environment, and a diverse environment, for all employees.

For 10 years, Fortune magazine has ranked the Top 100 places to work. Wegmans, a family-run grocery store chain, has always made that list and has been in the Top 10 for the last 6 years, most recently as Number 3. I've known Danny Wegman for over 20 years, and it really comes from the basic philosophy of Wegmans, "Employees first. Customers second." It sounds unconventional, but he believes that if his employees are happy and motivated, they're going to make his customers happy. And also by their own engagement in the community, they attract and retain higher-caliber employees.

## 5. Reflect Diverse Communities

Fifth, a 21st century company reflects the diversity of its communities. Again, I'll cite McDonald's. Jim Skinner, my customer, is here, but it's not because of that. It's because I think they're just an amazing example of a truly diverse company.

McDonald's is diverse at just about every level of its business — be it in age, be it in gender, be it in race. The crews that run the stores are people who move on to be operators. They move into the corporate workforce. They are part of the team that moves up that whole value chain. They truly use diversity to win, and it ties them to their markets. It lets them see change early and move very quickly with it. And they make us move quickly with them, as well, I can tell you. They have just so many wonderful stories to tell of successful people whose first job was flipping burgers at McDonald's.

## 6. Manage Change Without Disruption

Finally, the companies that succeed in the 21st century will be those that create systems to manage change without disruption. It means building a culture that is open and optimistic, but never satisfied. It means developing a deep bench, and it requires deliberate, thoughtful succession planning.

I actually began my succession planning before I came back to Coca-Cola in June 2004 as Chairman and CEO. I began it with the Board as I came back in. And when I announced in December that I was, together with

the Board, appointing my successor, it was something that was on a continuum. It was something that we'd worked on for a long period of time.

It is proceeding smoothly because we have the right strategy, the right execution, and most importantly, we have the right leader. My successor as CEO is Muhtar Kent, who I've worked with for nearly 20 years and who I will transition with on July 1 of this year.

One of the reasons that I feel so comfortable about our future is because the ideas that I've shared with you today are not just mine, but they're actually built in to our business. They're core to our mission, they're core to our values, and they're built into our strategy.

I also believe that the ultimate measure of a CEO's success is not only the longevity of his or her strategies, but it is putting in place a successful successor. I believe that our business is in the hands of someone who will take it to new heights.

So therefore, in conclusion, we believe that we must support the sustainability of the communities we serve. We believe in partnering in new ways with governments and civil societies; being a functioning part of the communities we serve; being a responsible employer; drawing on the diversity of our people, so that we win in the marketplace; and managing change without disruption. Those are the requirements for a 21st century company.

### ► **Consumers Choose Which Businesses to Invite Into Their Lives**

At The Coca-Cola Company, our entire business depends on consumers choosing us — choosing individually, one action at a time, to invite us into their lives 1.5 billion times every day.

We understand consumer issues are part of what we need to take into account in terms of those invitations. We're inviting people into our business. And if they admire us, and they admire our business, and they admire what we do as we work on the fabric in their communities, they will make the choice to support us. It will mean that we are invited back into their lives the next day and the day after.

It's because of –

- the quality of our products,
- the true pleasure they bring,
- the great advertising we have,
- the nutrition our beverages provide,
- and our connectivity with society.

The businesses who understand this critical dynamic of making a profit in the 21st century will be the businesses that deliver long-term sustainable growth for years to come, no matter how the economy in the U.S. and around the world may shift and evolve. They will be the guideposts for successful companies.

Thank you very much, indeed. 🙏

## GOLD AWARD: GOVERNMENT CATEGORY

# A Moral Test of Our Times

WRITER: KAREN WILSON LENIART / SPEAKER: COMMISSIONER W. RALPH BASHAM

Washington, D.C., September 9, 2008

**H**uman trafficking is a serious global problem—and a tragic crime. We're here today to find ways to end this barbaric practice.

### A Foundation of Freedom

We Americans are a privileged people. We live in a country whose very founding is based on respect for individual rights.

Our wise Founding Fathers created astounding documents outlining principles of freedom that have endured for over two centuries. Among those founding principles is the right to “life, liberty, and the pursuit of happiness.”

Our founding documents also set out our nation's belief in God-given rights. The right of all men, women, and children to live free—and that includes freedom from fear and harm.

For centuries, we have fought—and died—so that others could enjoy those same freedoms—in Europe...in Korea and Vietnam...and now in the Middle East.

Freedom is not for sale.

Human dignity can't be bought or sold.

### ► **The Problem**

Our nation and our laws are built on this foundation of freedom. But we know there are those who—for power or money—will trample these laws and the rights of others.

Customs and Border Protection Officers and Border Patrol Agents come across these atrocities every day.

Let me give you a recent example: in Riverside, California, CBP Agents responded to the Riverside County Sheriff's Department. They thought it was a routine call for translation assistance.

Instead, what they found was shocking.

Sixty-four illegal aliens—men, women, and young people from Mexico, Ecuador, Honduras, and El Salvador—held captive in a 1,000 square foot house. The conditions in the house were deplorable.

Some of these people needed medical attention. And, all were held against their will.

Unfortunately, this occurs all too often across our country—and around the world.

The United Nations indicates that after guns and drugs, trafficking of human beings is the third largest source of money for organized crime.

Trafficking generates billions of dollars in profit each year and is one of the world's fastest growing criminal activities.

The State Department estimates that between 600,000 and 800,000 people are trafficked across borders each year. As many as 17,000 right here in the United States.

The majority are female. Most still children. Most trafficked for sexual purposes. (70%)

Men, women, and children from Eastern Europe, Latin America, Asia, and Africa, too, are trafficked for forced prostitution, forced labor and domestic servitude.

► **Consider Irina's story:**

Irina is a 16-year-old Russian high school student. She accepted a family friend's offer of \$500 to take a quick trip to the Middle East to bring back merchandise to sell.

Irina received a passport, a tourist visa and a plane ticket.

When she had her documentation, the story changed.

Irina was told she would be a waitress in a local café for \$1,000 a month.

Her parents were told that if she didn't go, they would owe huge sums of money for the arrangements that had already been made.

When she arrived, Irina found that she would not be a waitress, but a prostitute.

Her passport was taken away. She was threatened.

Her life became a series of hotel rooms, madams, and clients.

She tried to escape, but the madam claimed she had stolen money and the police sent her back.

She was resold to another madam...and saddled with a huge debt for her misbehavior.

The good news for Irina is that she was able to escape with the help of the Russian Embassy.

But not all are so lucky, as we will surely hear today.

I was in the Middle East recently, and in our briefings from the Consulate, we were told that this kind of trade is pervasive—especially in countries that were once part of the former Soviet Union.

But, we know this isn't just a problem that occurs in foreign countries.

It happens right here in America, too.

Just last Thursday in Manatee County, Florida, seven people were arrested on human trafficking charges.

Victor Gomes-Lopez told deputies that his brother had arranged to be brought into the U.S. from Mexico

for \$1,500.

The understanding was that his brother could work off the money when he arrived.

Instead the traffickers demanded the money up front, and when he was unable to produce it, the traffickers wouldn't let his brother go.

Victor was able to arrange a second meeting. This time the Sheriff's Office was involved.

When the suspects were taken into custody, they had \$17,000 in their possession.

CBP's Border Patrol office in Tampa now has the traffickers and victims, including Victor's brother, in custody. All are Mexican nationals in the country illegally.

In some countries, government corruption drives the trade.

The marginalized status of women in many societies puts them at a higher risk of being targeted by traffickers.

Many times they are promised jobs or educational opportunities.

Desperate conditions, poverty and political repression drive these victims to seek a better life. Unfortunately, many become trapped against their will, in even more desperate conditions.

They set out with high hopes, but all too often, those hopes are crushed and what they experience is modern day slavery.

Traffickers isolate them, take away their travel documents, and force the victims to rely on them.

Most can't speak the language and are fearful of their captors—not only what they will do to them, but what they threaten to do to their family members.

Victims are often beaten and brutalized.

They face diseases, rape, disfigurement, and even murder.

Children are the most vulnerable.

Street kids and runaways are defenseless and have no choice but to do what they are told.

Many are forced into begging rings and beaten if they don't bring in enough money.

Others are forced to work in sweatshops—from sun-up until sundown—and to sleep on dirty floors.

► **CBP's Part**

There is no end to what criminals will do to attain power and money—and the trafficking in fellow human beings is one of the most insidious of crimes.

It's an offense, not only against the individual, but against humanity.

Law enforcement officers are protectors of people, enforcers of laws, and frequently counselors and parental figures to victims of all sorts of crimes.

And certainly, we have a large part to play in stopping the atrocity of human trafficking.

CBP—its Officers and Agents—are guardians of our nation's borders.

Vigilance is one of our core values.

U.S. Customs and Border Protection has the widest authority of any law enforcement agency in our government, including the authority to detain people or products at the border.

On any given day, the mass humanity that CBP processes through our ports of entry is staggering. Over 1 million a day—over 400 million a year.

And, our Border Patrol Agents encounter hundreds a day in between the ports of entry.

We are uniquely positioned to intercept victims of traffickers—and the traffickers themselves.

Our officers are frequently the first people these victims see, and there is a small window of opportunity to detect those who are being trafficked.

Once that window closes, it may be too late to intervene and save them.

#### ► **Campaign to Educate**

It's sometimes difficult to detect human trafficking.

As you've heard today, there is a clear distinction between trafficking and smuggling.

Smuggling is voluntary. Trafficking is not.

But, one of the most important ways Customs and Border Protection can fight against this despicable crime is to educate—both our officers and the general public.

Last year, we launched an education campaign.

All of our officers and agents are trained to detect traffickers and victims of trafficking.

We have posted signs at airports and ports of entry in many languages besides English—among them, Spanish, Russian, and Chinese.

We distribute information in these different languages to arriving visitors.

This information lets potential victims know that we will help.

When we encounter situations where we suspect trafficking, our officers are trained to ask questions creatively, to listen carefully, and to be alert to signs that a person's freedoms are restricted.

We might ask how the person arrived in the U.S. and whether they have control over their documents.

But, unfortunately, victims of human trafficking are much like victims of domestic violence.

They may mistrust law enforcement because they are illegally in the country...or because they fear they will be punished for the criminal acts they were forced into.

They may fear retribution on other family members. Or they may feel shame for what they have been forced to do.

And, they may believe they have no rights.

One trafficking victim revealed:

"I didn't believe in police. I really believed what my trafficker said.

My trafficker said they will put you in jail. They will send you back. She said in this country, dogs have more

rights. And I believe.

I believe everything she said because she's been living here for a long time. She knows. She speaks English. She has money, everything...and I didn't have anything." (International Association of Chiefs of Police video, 2006)

#### ► **Human Rights**

But victims of trafficking do have rights.

Much like refugees, they may be allowed to stay in the country temporarily during an investigation or prosecution.

You've heard today about special "T-visas," and "U-visas" that allow victims of trafficking to apply for legal permanent residence status.

You will hear more about these rights and protections this afternoon.

Other laws protect the rights of victims, too.

In 2003, President Bush signed into law the:

- Trafficking Victims Protection Reauthorization Act—and
- the PROTECT Act, which is the acronym for Prosecutorial Remedies and Other Tools to End the Exploitation of Children Today.

Both of these laws strengthen the tools law enforcement can use to combat trafficking.

And programs, such as OASISS—the Operation Against Smugglers and Traffickers Initiative on Safety and Security—have been created to protect trafficking victims.

OASISS is a bilateral agreement between Mexico and the U.S. to help identify and prosecute violent human traffickers.

The Border Enforcement Security Task Forces—or BEST units—work with domestic and foreign law enforcement to dismantle criminal organizations.

We now have ten BEST teams located along the border, including new teams in Phoenix, Yuma, and Imperial Valley.

CBP also works closely with other federal agencies:

- the Department of Health and Human Services,
- the Department of Justice, and
- our sister agency, Immigration and Customs Enforcement—or ICE.

We share information and provide assistance to victims—and help to ensure that criminals in this illegal trade are prosecuted.

#### ► **A Moral Test**

Human trafficking is a great moral test of our times—as much as AIDS...as much as ethnic cleansing...as much as terrorist attacks against innocents.

I grew up in a time when we were expected to follow the Golden Rule—"do unto others as you would have others do unto you."

It wasn't considered a political or religious statement. It was just a good rule for living.

It was a guide for being a responsible citizen and a good neighbor.

And I grew up in a time when children were allowed to be children—to be innocent and hopeful—and full of dreams for a bright future.

Where adults were protectors, not exploiters.

Where adults could be trusted and believed—not feared.

I believe that is one of the reasons I chose law enforcement as a career.

Law enforcement officers protect the most vulnerable in our society.

If you have ever heard me speak, you know I am the

grandfather of 12, and those little children influence me in many ways.

Those 12 children make me want to work even harder to create a world that is safe for all the children of the world.

Freedom and protection are their rights. You and I must fight for all those who can't fight for themselves.

Thank you again for coming together today to raise awareness about this important issue.

Customs and Border Protection is committed to saving lives and protecting the freedoms of people like Irina...and Victor's brother...and the thousands of others whose names we don't yet know. 🙏

## GOLD AWARD: ASSOCIATIONS CATEGORY

# Legacies in the Circle of Life

WRITER: RANDY LEE / SPEAKER: RONALD M. DAVIS, M.D., PRESIDENT, AMERICAN MEDICAL ASSOCIATION

Chicago, Illinois, June 14, 2008

Thank you so much. Good afternoon.

I wanted to start out with that song, because “The Lion King” was by far the best stage play I’ve ever seen. And that opening music reminds us that we all eventually will take a journey around that circle of life. What’s important is what we accomplish on that path. Leaving a good legacy is something each of us will eventually consider, some sooner than others.

This year has been the most eventful year of my life, in large part because I’ve had the privilege of being the president of this extraordinary organization. And as those lyrics said, “There’s more to see than can ever be seen; more to do than can ever be done.” I can’t think of a better job description. It’s overwhelming.

It’s also been an eventful time because I was diagnosed earlier this year with pancreatic cancer. And I want to thank all of you for your thoughts and prayers over these past few months. They mean the world to me, and to my family.

Things were especially eventful a couple of weeks ago when my hair began falling out because of a toxic chemotherapy reaction. I used to have a pretty decent head of hair. Now, as you’ve seen, I have this new hairstyle.

It’s actually been kind of fun, to be honest with you. I very briefly had a Mohawk, and an earring. There’s evidence out there, somewhere. And being bald is a medical reminder of our natural state of being. It happens to those who age, and those who get sick. We very often lose our hair, there’s simply no denying it. But getting back to the circle of life, that’s how we came into the world as well. Telly Savalas used to say, “We’re all born bald, baby.”

There’s another quote I actually prefer, from the Ro-

man philosopher Seneca the Younger. He said, “I don’t consider myself bald, I’m just taller than my hair.” My wife Nadine’s favorite is that there are three ways a man wears his hair: parted, unparted, or departed.

As a physician trained in epidemiology, I look for data to understand the effects of illness. So I was happy to find a survey on HairBoutique.com in which more than 2,600 people answered the question, “What do you think of bald men?” Of course, this survey does not meet the CDC’s standards for valid epidemiologic research. But I was interested to read that the top response was, “Bald men are hot.”

Well, we can look at a bald pate as a kind of circle, too. And that’s what I’m going to talk about today: circles.

I’d argue that there’s no profession as closely identified with the circle of life as is the physician. Even before conception, we have those who specialize in Reproductive Medicine. Then we have the OB/GYNs who administer prenatal care, and bring newborns into the world. We have Pediatricians and Family Physicians who nurture our children. The majority of physicians care for adults. And then we have Geriatricians and physicians who specialize in Hospice and Palliative Medicine who take care of people in their twilight years. So we physicians help people move through the circle of life.

Organized Medicine has its own circle as well. I was privileged to start at the AMA in the Medical Student Section, about 30 years ago. For those in the MSS today, go ahead and raise your hands high. Please. The same for those in the Resident and Fellow Section. And for those in the Young Physicians Section. And now, how about the rest of us old fogies giving them our kudos, for them getting involved so early in their careers?



Ladies and gentlemen, they are the future of medicine. Like the rest of us, they'll transition into a multitude of positions, in state and specialty medical societies, in medical schools, on hospital medical staffs, and elsewhere. Many of them have already done so. Once they're established, they'll move on into the twilight of their own careers, and eventually become part of our AMA Senior Physicians Group. And that's a place where even we old goats can thankfully still contribute.

They are the ones to whom each of us will leave our own legacy. They'll be the ones who pick it up and move it after we're gone. And establish legacies of their own.

So where are we on our current AMA legacy? The issues that tie us together, that bring us here today as this august body?

Well, our Medicare physician payment and SGR status remind me of another circle; actually, a wheel. It's one we sometimes get a little traction on. But mostly, it just spins. And I'm not talking about us spinning our wheels in a hot rod at the starting line, ready to go forward at 200 miles an hour as soon as Natalie Wood drops the handkerchief, as she did in the movie "Rebel Without a Cause." What I am talking about is a hamster wheel. We just keep going around and around in circles.

Senate leaders are working right now to give us positive updates for Medicare payment for the next 18 months. But these proposals rely on a financing mechanism that's expected to create the potential for a 21% physician payment cut in 2010. So the meltdown scenarios we've been talking about for years are becoming more and more ominous. But perhaps the specter of a 21% cut in Medicare physician payment, and what that will mean for seniors' access to physician services, is what will finally get us off the SGR hamster wheel. Two days ago, the Senate fell several votes short of passing one of the SGR relief bills, Senate Bill 3101. So we continue to chase our tails, or the tail of Congress, as the case may be.

Then there's the issue of 47 million uninsured people in this country. The AMA has done a Herculean effort to bring this to the attention of the public. Yesterday, 400 AMA medical students and residents attended the Chicago White Sox game to talk to Chicago families about the crisis of the uninsured, and to encourage adults to vote in the November election with this issue in mind. Before the start of the game, the AMA's "Voice for the Uninsured" television advertisement played on the stadium jumbotron. I'd like to applaud those students and residents, and everyone else who has been involved in our national campaign.

And when it comes to campaigns, we're now down to the final two presumptive nominees from their parties running for President. Here are a couple of pins, one for each of them. They're circles, too.

One of the true pleasures of observing this historic presidential race is that health care, including the prob-

lem of the uninsured, is finally at the top of everyone's domestic agenda. For the candidates, for the media, and for the voters, our patients. Both of the candidates have plans to deal with the issue. And when you study them closely, you'll find that many elements in each of their proposals come right out of what we've been talking about at the AMA for quite a while.

We've asked both candidates to respond to 10 questions about health system reform. One question, for example, is, "How many Americans would have health care coverage under your proposal, and what are the total costs and sources of financing for your proposal?" Another question is, "What's the role of health information technology (HIT) under your proposal, and how would the purchase and maintenance of HIT tools be financed?" Go to the AMA home page, and you'll find a link to a document showing answers to these questions from Senators McCain and Obama.

The third issue I have to mention, since I'll always be a Preventive Medicine physician, is our advocacy of Healthy Lifestyles.

We all have our own favorite circles when it comes to this category. Unfortunately, for most of us, they're pizzas, hamburgers, and doughnuts. In the Detroit area, which has a large Polish population, we have a tradition of eating paczki, the Polish deep-fried pastries that resemble jelly-filled doughnuts. They're especially popular around Mardi Gras time.

Mardi Gras means "Fat Tuesday" in French. As many of you know, it's the day before the beginning of Lent, the 46-day period before Easter, which involves fasting and abstinence. So Fat Tuesday is the opportunity to pig-out before Lent begins. But what seems to happen is that people use Fat Tuesday to pig-out, and then forget about the fasting and abstinence that are supposed to follow.

Each year in Detroit, we have a paczki-eating contest on Fat Tuesday. A few years ago, the winner of the contest ate 15 paczki in 15 minutes. Ladies and gentlemen, that's 6,000 calories and 375 grams of fat, in 15 minutes. Another vivid example of our toxic food environment.

But did you know that at the AMA Board meetings now, we're all eating "healthy choices"? And that at our headquarters in Chicago, we have nutritional value charts posted in our cafeteria? You can't miss them, and they tell you what those bacon bits will cost you in the long run.

The New York City Board of Health recently adopted rules to make restaurant chains do something similar to that, displaying calorie information on their menus or menu boards. Information on calories would be provided as prominently as the price of each menu item, so that consumers would get this information before they decide what to purchase.

The restaurant industry has challenged the rules in court. But we've joined with the Medical Society of the

State of New York and several public health organizations in signing onto an amicus brief that defends the new regulation. And I'd urge all of you to push for similar laws or rules in your own states and communities.

Getting back to circles, there are some that we ought to be embracing. Circles like bicycle wheels. Tennis balls. And hockey pucks. And I confess, I include hockey pucks to give a shout-out to my hometown heroes who now, once again, possess the Stanley Cup, the Detroit Red Wings. I think our son Evan has already spent his entire summer entertainment allowance on Red Wings' championship paraphernalia.

Most of you have heard about our collaboration with the American College of Sports Medicine. I'm referring to the "Exercise is Medicine" initiative. Just remember, the old saying, "Do as I say, not as I do," does not apply to exercise. As physicians, we need to be physically active for the same reasons that apply to our patients. Plus, physicians who exercise are more likely to counsel patients about exercise. Let's heed the advice of the renowned second-century physician Galen, who said, "That physician will hardly be thought very careful of the health of his patients if he neglects his own."

For those who attended the Presidents' Forum in February, you had a chance to see the Steelcase WalkStations inspired by research conducted by the Mayo Clinic's Dr. James Levine. He's shown that people who walk on a treadmill, at the slow pace of one mile per hour, can do computer work at the same time, in their normal work attire, without working up a sweat, while burning 100 calories an hour more than sitting in a chair. So three or four hours of walking at that pace would burn at least as many calories as a vigorous workout.

Now we have a new strategy to combat the obesity epidemic, creating opportunities for what Dr. Levine calls Nonexercise Activity Thermogenesis, or NEAT. Nothing would please me more than to see WalkStations in use at future House of Delegates meetings, so we can "walk the talk" while we do the business of the AMA.

Is anybody here a fan of the travel writer, Bill Bryson? He wrote a wonderful book called "A Walk in the Woods," which was about hiking the 2,100-mile Appalachian Trail, from Georgia to Maine. During a stop in Waynesboro, Virginia, he needed to find a store to buy insect repellent. A man outside the post office suggested that he try Kmart, and asked him where his car was.

Bryson said he didn't have a car.

The man said, "It's over a mile, I'm afraid."

Bryson said no problem.

So the man gave him directions, but then he said, "You know, when I think about it, it's well over a mile – maybe a mile and half, mile and three-quarters. You walking back as well?"

Bryson said yes.

The man shook his head and said, "Long way."

Bryson thought a second, and he replied, "I'll take emergency provisions."

The man missed the joke entirely. Then he told Bryson, as an afterthought, that there was a taxicab company around the corner. Of course, when you're in the middle of walking more than 2,000 miles, a few extra ones out of the way to the local Kmart are no big deal. But the point is that many of us have forgotten how to walk.

Let's turn to tobacco and cigarette smoking in particular, which kills more than 400,000 Americans annually.

Last year, the AMA strongly backed increases in federal excise taxes on tobacco products to help fund the State Children's Health Insurance Program (SCHIP) and legislation to avoid Medicare physician payment cuts. Unfortunately those tax increases, though passed separately by the House and Senate, did not become law. So we'll need to bring them back, and get them passed.

In addition, we've strongly supported pending legislation to give the Food and Drug Administration (FDA) authority to regulate tobacco. We've commented many times about how outrageous it is that the most important preventable cause of death in our society is one of the most unregulated consumer products. Bills to give the FDA authority over tobacco have passed the Senate Committee on Health, Education, Labor, and Pensions and the House Committee on Energy and Commerce. It's time for the full Senate and House to approve those bills.

Last month, the AMA hosted the release of the updated national guideline on treating tobacco use and dependence. It's a blueprint for clinicians that identifies pharmacologic and behavioral interventions that can help people quit smoking. We urge all physicians to screen all of their patients for tobacco use, and to advise and assist them in quitting.

Many physicians are not yet leading the way in healthy eating and exercise. But fortunately, very few among us are smokers. We've come a long way since a 1940s advertising campaign proclaimed that "More doctors smoke Camels than any other cigarette." Our challenge now is to get our patients to follow suit.

As one last item on the tobacco front, I'd like to congratulate the AMA Alliance for their Screen Out! Program, a campaign to get smoking out of the movies. On Thursday the Alliance issued a press release to warn parents about yet another Hollywood film that exposes children to gratuitous smoking scenes: "The Incredible Hulk." This Universal Studios movie, which opened yesterday, is a follow-up to the 2003 film "Hulk," which did not contain tobacco imagery. In the new version, however, the Army general trying to capture the Hulk is shown puffing on a cigar in nearly every scene. So let's thank the Alliance again for drawing attention to this problem and trying to fix it.

Last month, we launched our Healthier Life Steps program. It's a comprehensive online tool kit. It's all

about starting discussions between patients and physicians about healthy lifestyle choices. It has patient screening checklists, intervention plans, and motivational tools. And physicians can download them all for free at [www.ama-assn.org/go/healthylifestyle](http://www.ama-assn.org/go/healthylifestyle) [www.ama-assn.org/go/lifesteps](http://www.ama-assn.org/go/lifesteps). As a nice fringe benefit, if you complete the Physicians' Guide and evaluation form, you get CME credit. You've heard one of our new mantras about the new AMA, "Helping doctors help their patients." Well, that's what this program is all about: helping doctors help their patients live a healthier lifestyle. I invite you and all of your colleagues back home to participate.

There's one huge circle I'll just touch on. It's one that's been around since the beginning of time, but we're all just now starting to take care of it. I'm talking about our home, the planet Earth.

Why shouldn't physicians be the loudest advocates for a safe and healthy world for our children to grow up on? Ironically, in the health care arena, we've been behind the eight-ball when it comes to issues like being advocates for new ways of making materials, new ways of growing and distributing food, and new ways of building buildings. We in this room should try to use our clout to get products to be less toxic, to achieve more sustainable agriculture, and to show some real leadership in developing energy efficiency.

So we're working hard to catch up to where we need to be. With our recent involvement in the CleanMed conference (where Dr. Jerry Lazarus gave a forceful speech), with partners on this issue like the Canadian Medical Association, with the introduction of several resolutions on this subject at this meeting, and with follow-up by our Council on Science and Public Health, we're poised to achieve a greener health care system, with physicians leading the way.

At the June 2007 meeting, you approved Resolution 530, directing the AMA to support an initiative that promotes collaboration between human and veterinary medicine. Since then, we've participated in a task force established by the American Veterinary Medical Association (AVMA) to jumpstart that initiative.

Two facts underscore the importance of this effort. Of the roughly 1,500 diseases now recognized in humans, about 60% are due to multi-host pathogens that move across species. And, during the past three decades, three-quarters of newly emerging human infectious diseases have been zoonotic—animal diseases transmitted to humans.

This threat occurs when we have infected animals, susceptible human hosts, and an environment that enables the transmission of disease. So we have one more reason to pay attention to the environment.

The immediate past president of the AVMA, Dr. Roger Mahr, put it best when he said: "The convergence of human and ecosystem health dictates that the one world,

one health, one medicine concept must be embraced." Humans, animals, and the environment we inhabit, are linked together in the circle of life.

Speaking of the world, several of your current and former AMA leaders attended a World Medical Association meeting last month near Geneva. Our AMA involvement in critical global health activities continues. And thus we're very pleased to see so many international guests here today for our own meeting, including the current President of the WMA, Dr. Jon Snaedal, from Iceland, and the Secretary General of the WMA, Dr. Otmar Kloiber. Please give all of our international guests another very warm welcome.

Let me circle back to the point I made at the beginning, the need for each of us to think about the legacy we're leaving. As you might expect, my illness has pushed me to think much more about my own legacy. But I began to think about that even before my diagnosis, when I read another book by Bill Bryson, "A Short History of Nearly Everything."

He asked us to imagine the 4.5 billion years of Earth's history compressed into one normal day.

Life begins at about 4 a.m., with the rise of the first simple, single-celled organisms. It doesn't really get any further for the next 16 hours.

Then the first sea plants appear, followed 20 minutes later by the first jellyfish.

At 10:24 p.m., carboniferous forests cover the Earth, and the first winged insects take flight.

Dinosaurs arrive just before 11 p.m. And they vanish at 11:39 p.m., when the age of mammals begins.

We humans emerge one minute and 17 seconds before midnight. Our recorded history, on this scale, would be no more than a few seconds, and a single human lifetime would span barely an instant.

Thus, our existence, when compared to the history of the earth, is quite fleeting. So whether we are ill or well, we should not waste any of that time before figuring out how to leave our mark on this planet.

I'd like to end with some personal comments about being a patient.

Of course, having a serious illness is not what I'd call fun. But I've always been a cup-half-full kind of guy, so let me tell you about some of the good things that have come out of my experience.

First, getting back to this business about being bald. My son Connor no longer tells me in the morning that I have "wacky hair." I didn't have to pack a large tube of hair gel in my toiletry bag. And when I was walking here in the Windy City a few days ago, I reached for the comb in my pocket, and then realized that I didn't have one. And I didn't need it.

Also, people are giving me caps to wear. Just a few days ago, a few AMA staffers gave me a collection of AMA caps, plus a cap to recognize my affection for Star

Trek. It shows a quote from Dr. Leonard McCoy, the ship's physician in the original Star Trek series. It says, "Damn it, Jim! I'm a doctor, not an engineer."

The caps come in handy because I've now realized, for the first time in my life, that it can get cold up there, especially when the air conditioning is blasting away. And as we move into the hot summer months, the caps will help me avoid getting sun burns on my newly exposed scalp.

On a more serious note, I've learned about another noble cause, raising awareness about pancreatic cancer, and raising funds for research to improve treatment for this nasty disease. Pancreatic cancer is the fourth leading cause of cancer death in the United States. This year, more than 38,000 Americans will be diagnosed with pancreatic cancer, and more than 34,000 will die from it. But pancreatic cancer research accounts for less than 2% of the National Cancer Institute's research funding.

The Pancreatic Cancer Action Network (or PanCAN) is leading an effort to enact and fully fund a National Plan to Advance Pancreatic Cancer Research. I'm very proud that our son Jared and many other members of my family put together a team of walkers who raised \$25,000 for PanCAN at the PurpleStride Walk, right here in Chicago six weeks ago. AMA staff and Michigan State Medical Society delegates and colleagues at Pfizer were among the major contributors to our team effort.

Another good thing to come out of my illness is that I've learned about a few essential ingredients in improving the quality and safety of health care, from the patient's perspective. In my president's column in our "eVoice" newsletter two weeks ago, I wrote about the value of team care, and how it has benefited me. I've had wonderful care from physicians representing many specialties, and from oncology nurses, registered dietitians, genetics counselors, and many others.

Of course some teams work well, and others do not. So we must ensure that health care teams operate within a framework based on good communication, coordination, and cooperation. I've seen breakdowns in communication, now from the view of an educated patient, that have led to several near-misses. And so now I'm more convinced than ever before, that we must continue to intensify our efforts to improve communication, among our colleagues and with our patients, in order to prevent medical errors.

Another positive to come out of my illness is that family and friendship have been redefined for me. It's cliché to say this, but yes, a serious illness does force one to reexamine one's priorities in life. And I've been so very happy to be able to spend more time with Nadine and our three sons during these past four months. A person cannot be president of the AMA without having incredible love and support back home. And when you add the big "C" to the mix, that love and support become your

lifeline. So Nadine and Jared and Evan and Connor, I can't thank you enough.

I've been so happy, as well, to reconnect in a more meaningful way with many members of our large extended families. I've been happy to hear recently from friends and former classmates with whom I've had no contact for years, or even decades. And I've been blessed to receive good wishes and prayers from many of you.

I've been asked several times, "What's it like being a physician with your illness? Does being a doctor help or hamper your situation?"

Well, here's my answer: A benefit of being a physician is that I understand what's happening to me. But a disadvantage of being a physician is that I understand what's happening to me.

As a physician, I know the survival statistics for someone with stage 4 pancreatic cancer. But if the five-year survival is 5%, that's not zero. And as someone with relative youth, good functional status, outstanding health care, love and support from family and friends, and a thirst for life that feeds into a strong mind-body connection, then who knows what the future holds for someone in my situation. So never take away someone's hope.

And there's one more ingredient to add to that equation, and that's faith and spirituality. Through the years I have not had a strong religious faith. But since my diagnosis, it has been rekindled.

Dr. Ed Langston, chair of our AMA Board of Trustees, pointed me toward Proverbs 3:5: "Trust in the Lord with all your heart and lean not on your own understanding." Applied to my situation, it seems to say that I should ignore the statistics on the prognosis for pancreatic cancer, but instead put my faith in God. And so, Nadine and I have prayed together several times, asking for God to help my chemotherapy to work, and for Him to heal me, and to give strength to my family in dealing with this situation. And so I count that rekindling of faith as another positive that has come out of my illness.

The last benefit of my illness that I'll mention is that it has helped me to appreciate, and to teach others about, the value of patient websites, such as those on CarePages.com and CaringBridge.com. Many of you have been reading the updates I've posted on my own CarePage. These websites make it easy for patients and their families to share information, to receive good wishes and prayers, and to build a community of support. I'm pleased that the Associated Press ran a story last Monday about patient websites, and I encourage physicians to educate their patients about this therapeutic tool.

When I've experienced pain from my cancer, or nausea from my chemotherapy, my physicians and nurses have often asked me to rank that pain or nausea on a one-to-ten scale. Part of the reason for that, as you know, is to assess my response to treatment, and the effectiveness of anti-nausea and analgesic medication. Hearing

this, my wife began to ask me the same question: “How’s that Compazine working? How bad is the nausea now? What’s the number?”

Well, I got tired of saying two, or three, or four. So at one point, I said, “I’d put my nausea at Pi.”

She said, “What?”

I said, “You know, the Greek letter Pi. 3.14159. That’s where my nausea is right now, on a one-to-ten scale.”

Pi, as you know, is connected to the circle in a fundamental way. It’s the ratio of the circumference of a circle to its diameter.

What got me thinking about Pi was a book I’d read recently by Daniel Tammet, entitled “Born on a Blue Day.” Tammet, a 27-year-old Briton, described his life as an autistic savant with Asperger syndrome. His functional level was not only good enough to allow him to write a compelling autobiography, but also enabled him to establish the European record for reciting Pi to 22,514 digits. He did so on March 14, 2004, as a charity event to raise funds for epilepsy, a condition he experienced as a child.

So what’s Daniel Tammet’s legacy? I think, in part, it’s to remind us how extraordinarily powerful the human mind is. To remind us that anything is possible, as we

contemplate what legacy we want to leave.

If a person with autism can recite Pi to more than 22,000 digits, we ought to be able to figure out why some cancers are so amenable to effective treatment, while others are not. We ought to be able to figure out how to get more of ourselves and our patients to live a healthy lifestyle. We ought to be able to figure out how to get off the SGR hamster wheel. And we ought to be able to figure out how to provide health insurance to all Americans.

There’s one thing that we may never be able to figure out, and that’s how I had the good fortune to become the President of the American Medical Association. I’ve been humbled with the privilege of representing the healers of this nation. I’ve been one of your designated advocates with the leaders of our government. You put me in a unique position to try to make lives better for both physicians and patients, all across this country.

So thank you. Thank you all, for your part in this great association. Thank you for your help in our achievements during this last amazing year. And thank you for your friendship, as we continue our journeys through the circle of life. God bless you all. 🙏

## GOLD AWARD: NONPROFIT CATEGORY

# Mother-Child Health Care

WRITER: WILLIAM SHAFFER / SPEAKER: J. EDWARD HILL, M.D., CHAIR, WORLD MEDICAL ASSOCIATION

Geneva, Switzerland, May 30, 2008

It is a privilege to speak with you this afternoon about a subject with enormous implications around the globe. I hope to be able to take you from the realm of theory to the world of practicality and how we bring person-centered care to the local care of patients. I have been struck the last two days by the close proximity of person-centered medicine to the bio-psycho-social model of family medicine in its ideal form.

In my duties as the current Chair of the World Medical Association, I have spoken with colleagues like you from scores of countries. And, while we find major differences in emphasis and approach, we all share a set of common issues and concerns.

Not least of these is our long-standing, passionate concern for the universal bond of mother and child, and how the art and science of medicine can strengthen that bond.

I would like to share with you just one story that illustrates a couple of key points. It comes from one of the most economically deprived areas of the United States. It involves individuals who never had very many opportunities, certainly not very many educational opportunities.

It begins nearly a half-century ago in state of Missis-

issippi in the southern part of the United States. For those of you familiar with U.S. demographic details, you will know that Mississippi ranks 50<sup>th</sup> or 49<sup>th</sup> out of 50 states in most or every measurement known to public health and government administrators.

Today, Mississippi is 50<sup>th</sup> out of 50 in overall health statistics. Last in health outcomes with the highest prevalence of obesity in the United States, the highest percentage of children in poverty, and other measurements.

And that is today. It was even worse back in the 1960s, when my partner and I opened a small clinic in Hollandale, Mississippi. That’s in what is known as the Mississippi Delta region, a forgotten corner of the United States then and now, with more in common with undeveloped nations than the rest of the United States.

One day, something happened that made me acutely aware of conditions that simply had to change. That day, a farmer called me at my clinic. The wife of one of his workers had delivered a baby at home two days earlier. She was still bleeding, and couldn’t get out of bed. When I got to the farm, I saw a woman who couldn’t lift her head without losing consciousness. Her blood pressure

was too low to measure.

I couldn't move her. We had no transportation other than the small automobile that I was driving, and we certainly couldn't put her inside that. With some difficulty, I drew a tube of blood and sped back to town to have it typed and matched, and to get a bigger car.

When I returned to my patient, I hung a unit of blood from a nail in the wall. Eventually, we put the woman into my wife's station wagon and drove her to Hollandale, where she quickly recovered.

That evening, I went home and turned on the television. It was July 20th, 1969. Some of you may remember the words of Neil Armstrong – "That's one small step for man, one giant leap for mankind."

And Armstrong took that great leap forward for humankind. As I watched man walk on the moon, I thought about what I had seen earlier that day. A woman almost bled to death because she lacked access to the most basic medical care.

Our country could go to the moon. But we couldn't provide routine care. We knew right then, that we wanted things to change. My little corner of the world, Washington County, Mississippi, was among the worst in the nation in infant death rates.

So we went to work, with the state health department, and began a program with donations from churches and from the U.S. March of Dimes.

- We hired certified nurse midwives and developed a very strict protocol under which they acted. I guess that was early task-shifting. The term in the United States is "scope of practice, tasks done the correct way with non-physician nurse-midwives and nursing aids working right alongside physicians.
- We launched a team approach, trying to give holistic care to these pregnant women before, during and after their pregnancies.
- We trained local women, none of whom had a high school diploma at the time.
- We trained them to make home visits. Prenatal, perinatal and postnatal visits. Post-natal visits continued for two years for mother and baby.

And our team followed the mothers and babies with teaching and developmental evaluations. We were so pleased to see how the teaching in the home was the real secret to prevention and general health, not only for the new-born but for its mother and for the whole family.

In case after case, serious illnesses were picked up and given timely care, preventing chronic and perhaps fatal consequences. In one case I remember, one of our home visitors caught a meningitis case in a sibling of the newborn. And we could intervene.

Now, these patients were provided with their physician needs, for sure, but also with their emotional needs, their social needs, their psychological needs and, at times,

their spiritual needs. All these needs were met by a team approach to care and also by a community that cared.

There are tremendous unanticipated dividends to be had once basic health education begins. Family planning, general hygiene and simple first-aid were offered to individuals who otherwise would remain trapped in a cycle of poverty and ignorance leading to further poverty and grief, generation upon generation, stress upon stress.

We were able to break the cycle.

Ours was a comprehensive education program and a comprehensive public health team effort. It involved uncounted hours of calling on charity groups, government groups, private individuals, leaders and ordinary citizens, service organizations and church groups.

It involved entire neighborhoods that pitched in with whatever they had, some providing transportation, others providing child care, others with simple domestic chores, still others with psychological, social and spiritual support.

But, what made the system work, what made it a success, was that it was person-centered, mother-centered, human being-centered and family-centered; a tremendous testimony to the glories of doing for others, to being a servant, working in service to others.

Mortality rates for infants dropped below the national average and have stayed there to this day. With time, we noted that the number of low-birth weight and premature babies dropped dramatically. Of course, we were convinced that this was obviously just a matter of greatly improved prenatal care 38 years ago.

However, now there is convincing evidence coming to light that perhaps our success in decreasing prematurity and low birth weight babies were the results of a holistic approach to care, a holistic reduction in stressors and thus a positive effect on the hypothalamic-pituitary-adrenal axis of these pregnant patients. Just a theory but worthy of further study.

I said Mississippi ranks 50<sup>th</sup> in over-all health measurements. But, as of 2007 rankings, it ranks 8<sup>th</sup> in adequacy of prenatal care.

That statistic stands as a beacon light among all the others, testimony to the priority my Mississippi neighbors still place on caring for pregnant women and their unborn babies.

Now, I tell that story to give credit to local initiative, to local concern mobilized around feelings of trust and accountability. After all, all health care is really local. It worked there and then. It can work today all over the world.

The story was also meant to illustrate several key points and they are these:

One, that it often takes one stunning blow to get our attention.

Two, that resources do exist, they just need to be organized. Don't wait for Bill Gates or Warren Buffett to come along with a billion dollars to solve your problem. Get out into the community, into the offices of govern-

ment, into the halls of power, and tell your story. Tell the unvarnished truth.

But always, always, give your listeners a plan of action. A way out. The oldest sales technique in the world is summed up in three words: Problem, Solution, Action. And you and I are selling something much, much more valuable than a laptop computer or a pair of socks.

The pay-off is well worth the worn-out shoes and the frayed patience. At every point we met resistance, our first reaction then, and now, was to stop and think. To analyze, to assess, and to learn.

Oh, we made plenty of mistakes back then. Lots of false starts and disappointments. But, inch by inch, we saw real progress. And, that's where the third lesson kicks in. That lesson is that inspiration is not enough; good intentions aren't enough; even excellent mobilization and organization aren't enough without the ethical foundation to it all.

The third lesson is that all of our efforts were based on something that is universally and absolutely true. That no one is so tall as when he or she stoops to help another. That the right thing is, in fact, the right thing.

That we are placed on this earth not for our own satisfaction. But to serve others.

Those of us in this room come from a strikingly impressive number of nations, of cultural backgrounds, of varying belief systems and value systems.

In my current role as Chair of the World Medical Association, I have the privilege of talking with your colleagues in literally every corner of the world.

It may be a cliché to point out the obvious,  
We are of many races.

Many languages.

Many cultures.

Many world views and value systems.

Many economic and political and social systems. //

What separates us is interesting.

But, what unites us is critical.

And, I have found we are united in the importance of virtually every theme in this conference. Most definitely when it comes to mother-child health care.

Emotionally, rationally, professionally, personally, we have an enormous stake in that kind of care. A world full of children is at stake. 🙏

## SILVER AWARD: CONTROVERSIAL "HOT BUTTON" TOPICS

# Beyond the Rhetoric

WRITER: HAL GORDON / SPEAKER: JEFF MOSELEY, PRESIDENT AND CEO, GREATER HOUSTON PARTNERSHIP

Pittsburgh, Pennsylvania, July 31, 2008

I think it is most appropriate that we are meeting in Pennsylvania for a discussion of immigration reform. Appropriate, because Pennsylvania was the site of what was perhaps the earliest public debate over immigration policy in America.

This particular debate took place back in the 1750s, while we were still part of the British Empire. Pennsylvania was a British colony, but German immigrants were arriving in droves, to the indignation and alarm of the English-speaking locals. The Germans were forming their own communities, where they spoke their own language exclusively. They had their own schools and houses of worship -- and even their own printing presses and German-language newspapers and other publications.

This was too much for Americans of British stock to tolerate. Even someone as moderate and reasonable as Benjamin Franklin was positively incandescent over the German newcomers. He called them "Palatine Boors," and warned that if English-speaking Pennsylvanians did not take drastic steps to preserve their language and culture, they would soon find themselves submerged by a Teutonic tide.

Franklin said this: "Why should Pennsylvania,

founded by the English, become a Colony of Aliens, who will shortly be so numerous as to Germanize us instead of us Anglifying them, and will never adopt our Language or our Customs, any more than they can acquire our Complexion."

Franklin actually endorsed a series of proposals designed to check the German advance. In particular, he agreed that no one should be appointed to public office who could not speak English properly, and that all deeds, contracts and legal documents be drawn up in English only. He further agreed that German immigrants should be encouraged to settle in other colonies, rather than Pennsylvania.

Does any of this have a familiar ring for 21<sup>st</sup> Century Americans?

I share this little-known episode from our history to help us put the issue of immigration in perspective. Immigration is not a new issue. It was around even before we became a nation. Even the very language used to frame the public debate on immigration has scarcely changed since Franklin's day. We have been warned again and again throughout our history that uncontrolled immigration will make us strangers in our own land.

The title of this session says that we need to get “beyond the rhetoric ...” I agree. We need to get beyond the rhetoric on immigration. We need to get to the facts.

Americans have always been ambivalent about immigration. On the one hand, we look with pride on the Statue of Liberty, lifting her lamp beside the golden door ... extending an open invitation to the world’s “huddled masses yearning to breathe free.”

On the other hand, we have had recurring nightmares that a too liberal immigration policy might cause us to be overwhelmed by people unlike ourselves: people who would refuse to assimilate; who would not respect our laws, our language and our democratic way of life. Periodically, these nightmares have produced outbursts of ugly nativism in the daytime.

Franklin fretted about the Germans. Later generations of Americans fretted about the Irish and, after them, waves of immigration from southern and eastern Europe. In 1882, Congress passed a law to exclude the Chinese.

In the mid-1890s – when the percentage of foreign-born residents of this country was actually higher than it is now – one of the arguments advanced in favor of women suffrage was that giving women the vote would keep native-born Americans from being outvoted by immigrants.

In 1924, the National Origins Quota Act dramatically reduced immigration by restricting immigrants almost entirely to the “Nordics” of Western Europe. This was the law until 1965, when the Hart-Celler Act was passed. Under Hart-Celler, preference was based primarily on family reunification, professional skills or refugee status. This led to the arrival, for the first time in our history, of large numbers of non-Europeans to these shores

Now it is time to update our immigration laws once again. Our current system simply can’t accommodate the millions of undocumented immigrants who have come to the U.S. to find work. Our system is broken. We have to look the facts squarely in the face and find a better way.

Because I represent the Greater Houston Partnership, I believe that I bring a unique perspective to the issue of immigration.

Houston is one of the most diverse metropolitan areas in the country. We are home to more than 3,000 international businesses, government offices and nonprofit organizations. More than half of the 100 largest non-U.S. corporations in the world have operations here. Some 88 foreign countries maintain consular offices in Houston. These are supported by a multitude of foreign trade and commercial offices, and by chambers of commerce and trade associations.

All of our ethnic communities are “minorities.” No one group constitutes more than 50 percent of the population. More than one million Houstonians are foreign-born, with one in ten identifying Mexico as their country

of origin. If you want to see what America will look like in the year 2060, according to the Census Bureau, look at Houston today.

Every fifteen minutes, another immigrant arrives in the Houston area, ready to contribute to our economy.

Undocumented workers contribute an estimated \$27.3 billion to our Gross Regional Product. That’s more than 8 percent of total GRP. Undocumented workers contribute significantly to 16 different sectors of the Houston area’s economy – including high-growth areas like construction, professional services, accommodation and food services and healthcare. Statewide, the Comptroller’s office estimates that without these workers, the Texas labor force would shrink by 6.1 percent.

We tend to think of the immigration issue in terms of undocumented workers from Mexico coming north to take unskilled jobs at low wages. But the issue is actually bigger than that. It includes the problem of visa shortages for highly-educated workers in white-collar professions like engineering.

The visa shortage hampers Houston companies that depend on engineers, because significantly more foreign-born students than Americans are completing higher degrees in engineering. According to the American Society of Engineering Education, foreigners account for half of all masters-level engineering students in the United States, and nearly two-thirds of all PhDs. However, the shortage of H-1B visas prevents the greater number of them from finding long-term employment in the United States.

As a result, these U.S.-trained engineers take their education and return to their homelands. There, they find jobs with companies competing with the U.S. in the global market. In effect, we are training our competitors’ workforce.

Moreover, as members of the baby-boom generation retire in increasing numbers, taking their expertise with them, we are likely to need foreign-born workers with advanced degrees even more than we do now.

Speaking of the baby boomers retiring, the Bureau of Labor Statistics estimates that the number of people in work force aged 25 to 34 will increase by only three million between 2002 and 2012. During this same period, those workers aged 55 and older will increase by 18 million. Our workers are retiring faster than we can replace them, unless we hire immigrants.

So whether we are talking about unskilled or highly skilled workers, the fact is that Houston depends on immigrants, and so does this country as a whole. If we get this issue wrong, we’re going to pay a steep price for our mistake.

We have to strike a balance between securing our borders and safeguarding our prosperity.

The Greater Houston Partnership recognizes the need to secure our borders.



We also support immigration reform that will allow employers to recruit skilled and unskilled immigrant workers when there is a shortage of domestic workers.

We need an efficient temporary worker program that will allow employers to recruit skilled and unskilled immigrant workers when there is a shortage of domestic workers. We also need a process to provide legal status for qualified, screened undocumented migrant workers now in the country.

The Partnership further believes that employers should be responsible for verifying the legal status of those they hire. Toward this end, we support the creation of a fast, reliable employment verification system.

But we oppose laws that would increase civil and criminal penalties on employers without providing viable legal options for hiring skilled and semi-skilled workers.

In particular, the Partnership supports suspension of the so-called “90-day rule” until the federal government enacts comprehensive immigration reform. Under recent regulations, tens of thousands of employers will be given a 90-day notice that will effectively require them to terminate employees who are unable to verify their authorized legal work status.

This rule will have a serious impact on many industries – such as contractors, commercial construction, the hospitality industry, restaurants and agriculture. It will have a disproportionate impact on Texas, and it will have a greater indirect impact than many people realize. It will affect the building of our freeway system, the construction of schools and hospitals, the price of food, rental rates and employment in the restaurant and hospitality industry.

Because Houston’s economy relies so heavily on immigrants, the Greater Houston Partnership saw the need for immigration reform early on. The Partnership’s task force on this issue led to the creation of a non-profit organization called Americans for Immigration Reform – or AIR.

The purpose of AIR is to build a broad national coalition in favor of immigration reform. This coalition cuts across ideological, social, economic and party lines. It includes employers, unions, academics, minority rights organizations, professional association, free market advocates and concerned individuals.

AIR will achieve its mission by sponsoring research on immigration issues; by providing reliable information to lawmakers, the media and the public; and by advocating passage of essential reforms.

Just recently, AIR commissioned a major study on the economic impact of undocumented workers on business activity in the U.S. The study was prepared by the Perryman Group, an independent economic and financial analysis firm based in Waco. The 70-page study was released in April, and it documents the enormous contribution made by immigrants to our economy.

The latest census data indicate that one out of every

eight people living in the United States is an immigrant; approximately one-third of these are undocumented.

The Perryman study estimates that there are currently about 8.1 million undocumented workers in the U.S. economy. If these workers were removed from the workforce, says Perryman, the effects would ripple through many industries and ultimate job losses would be even higher. The economy would also lose the enormous spending power of these millions of undocumented workers.

These conclusions fly in the face of the most popular arguments in favor of sending undocumented workers home. Popular rhetoric says that illegal aliens

- Take jobs from Americans;
- Depress wages; and
- Burden taxpayers because they take advantage of free public education and social welfare programs – or else they commit crimes.

In fact, says the Perryman study, undocumented workers are major contributors to our nation’s economy.

Perryman found that as the domestic workforce becomes older, more stable in number and better educated, the U.S. economy increasingly requires foreign, low-skilled workers. Immigrants and undocumented workers fill a number of important jobs in the U.S. – particularly in the services sector, construction and farming.

If all undocumented workers were removed from the workforce, a number of industries would face an immediate and substantial shortage of workers. These shortages could be met only by paying wages sufficient to entice American citizens to take jobs far below their current educational and skill level. This would not be productive.

A 2006 study by the University of California, Davis, reports that because immigrant workers tend to “complement” rather than compete with native workers for jobs, they contribute to productivity. That, in turn, means higher wages for native workers. This study is confirmed by a finding by the White House Council of Economic Advisors. A year after the University of California study, the Council of economic Advisors concluded that roughly 90-percent of native-born workers experience wage gains from immigration – and these wage gains total between \$30 billion and \$80 billion a year.

The fact is that immigrants have always boosted the living standards of those who came before. Here, I’m reminded of a story about the wife of a college professor who complained to her husband, “If we lived a hundred years ago, we would have no problem getting servants.” To which her husband wisely replied, “If we lived a hundred years ago, we would be the servants.”

As for the argument that immigrants are a burden on taxpayers, it is more likely that immigrants are net contributors to our tax base. The Perryman study cites evidence to the effect that between 50 and 75 percent of undocumented immigrants pay federal, state and lo-

cal taxes. Their Social Security and Medicare payments directly support older Americans, while eligibility restrictions prevent the undocumented from enrolling in these and most other social programs. Undocumented workers also pay sales taxes and real estate taxes – either as homeowners or, indirectly, as renters.

It is true that the undocumented may turn up for medical care at hospital emergency rooms or free clinics. And it is true that if they have children, their children may attend public schools.

The Perryman study acknowledges that many state and local public entities may experience a net deficit, depending on the specific services they offer. But the report goes on to say that the present policies encourage the undocumented to work off the books – as part of the underground economy --with the result that they do not pay their full share of taxes.

The answer is not to send these workers home, but to give them recognized legal status so that their contributions to the economy can be recorded, and they can be taxed for public services like every other member of the community.

Finally, recent studies of incarceration rates reveal that undocumented immigrants are actually less likely to commit crimes than the native-born. So the argument that they increase the crime rate has little foundation.

What is the bottom line, then?

You think subprime mortgages and high-priced energy have had a chilling effect on the economy? The Perryman study concluded that if all undocumented workers were removed from the U.S. economy, the immediate effect would be the loss of some 8.1 million jobs. Even if the economy adjusted, job losses would still exceed 2.8 million. Moreover, the economy would lose \$1.76 trillion in annual spending, and \$651.5 billion in annual output. So even if we had the resources to round up and deport every undocumented worker in the country – which we don't – the consequences to our economy would be staggering.

Our current immigration system clearly does not work; we have to find a better way. The idea that these workers should somehow take their place at the back of the line and enter this country legally defies logic. Did you know that our current system only allows for 5,000 new applicants each year? At that rate it would take 2,400 years to process the re-entry of the estimated 12 million undocumented residents of this country.

Let us recognize that this is a national issue. While border states – Texas, California, New Mexico and Arizona – immediately feel the ramifications of our nation's slow response to immigration reform, this is not a regional issue. It affects all the states of our great union.

Americans for Immigration Reform advocates much the same package of solutions advocated by the Greater Houston Partnership:

- Secure our borders;
- Create an efficient and effective program for temporary workers;
- Create a fast, reliable employment verification system;
- Hold employers accountable for hiring employees with legal status; and
- Develop a realistic policy for illegal immigrants already here.

And so today we encourage you to join in AIR's efforts. Beto Cardenas, the organization's executive counsel, is here with me today with further information on the organization. He's available to answer any questions you may have on this initiative.

Throughout my remarks, I have talked about the legal and economic aspects of the immigration issue. But this issue has a moral dimension as well.

As Americans, we profess to be a nation of equal justice under law. Our present immigration system is unjust. Because we don't have the means to deport all undocumented workers, it means that immigration officials cannot help but enforce the law arbitrarily, through sporadic raids and sweeps that catch some undocumented workers in the net and miss others. This is more than unfair. Often it works real hardship, such as when the children of undocumented workers come home from school to discover that their parents have been deported.

Last month, the Greater Houston Partnership held a dialogue on immigration. One of the speakers was His Eminence Daniel Cardinal DiNardo, himself the son of an immigrant father.

Cardinal DiNardo brought home the moral dimension of the immigration issue with a quotation from the Bible. In Exodus 20, verse 22, God tells the Israelites: "You shall not molest or oppress an alien, for you were once aliens yourselves in the land of Egypt."

America is a nation of immigrants. Except for the Native Americans, every one of us here today is either an immigrant, or a descendent of immigrants. Some of us may have heard tales from our parents or grandparents about their struggles to make new lives for themselves here in America.

And yet, we are a nation today. Assimilation works. Why?

The English writer G.K. Chesterton once said that America is the only country ever founded on a creed.

What is that creed? Look at our Declaration of Independence:

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the pursuit of Happiness ..."

Immigrants have always been drawn to this country by the promise of freedom and the op-

portunity to work hard and build a better life for themselves and their children. America is a nation today because of the enthusiasm with which our newcomers have embraced our creed. In effect, they have added their own signatures to the Declaration of Independence as

they arrived.

It has been so from the beginning. And if good sense and good will prevail in our handling of the immigration issue today, it will remain so for the future as well.

Thank you. 🙏

## SILVER AWARD: GOVERNMENT CATEGORY

# Informing Law and Practice To Get the Job Done

WRITER: STANLEY DAMBROSKI / SPEAKER: COMMISSIONER ROBERT JOHNSON

Reno, Nevada, June 27, 2008

There's a story in Stephen Covey's *Seven Habits of Highly Effective People*, an old naval story. The lookout on a battleship spots a steady light ahead. It looks like the battleship is on a collision course with another ship. The captain calls to the signalman to signal the ship, "We are on a collision course, advise you to change course 20 degrees."

The signal comes back, "Advisable for you to change course 20 degrees."

The captain sends the message, "I am a captain, change your course 20 degrees."

"I am a seaman second class," comes the reply. "You had better change course by 20 degrees."

By this time the captain is furious. He sends the message, "I am a battleship. Change course 20 degrees."

And the final answer comes back: "I am a lighthouse."

A good example of the relation between law and practice, and a good illustration that the best relation of law and practice comes when there is intersection rather than collision.

Reclamation was established in 1902 to irrigate the West. A lot has changed since that time, and sometimes the question arises whether historic laws and practices still apply today in a time of changes in water use and distribution. This is a complex question. The short answer is, "Yes." The important principles that guide our work at Reclamation rely in large part on historic laws and practices—respecting the primacy of state law in the allocation and management of western water supplies; continuing the focus on the Reclamation mission of delivering water and power to Reclamation customers.

But the relationship among laws and practices is complex. We have the actions we perform in water management; the creation of laws is itself an action; and we also have to contend with the laws of nature, which trump any laws or actions that we make.

It is sometimes tempting to create law or take action without assessing—the idea of just getting it done. Someone recently mentioned to me the eagerness of residents to dredge a reservoir. The residents were willing to

take their earthmovers and trucks and do it themselves, get it done.

First of all, the logistics would be against it—I'm not sure how many pick-up trucks it would take to remove all those acre-feet of dredged material, but it would be a lot. And the impact of the natural organisms when you've dredged them up—that's a factor that has to be considered carefully well before you act.

We could write a law to require the dredging, but would that take us where we really want to go? There's a Japanese proverb you've likely heard: Vision without action is a daydream. Action without vision is a nightmare. Management expert Joel Barker adds to that, "Vision with action can change the world." When we align law and practice, we can accomplish great things. Doing that takes work, and vision.

Respect for the past does not mean that we fail to adapt to present and future needs when adapting makes our work better. Our current practices at Reclamation are informed by collaborative approaches to resolving water issues while following the guidance of established law. And when things are working at their best, we are working to align our laws and our practices.

### ► Challenges in Water Management

Our predecessors gave us a magnificent water delivery infrastructure that has provided for us amazingly well. But we face challenges that they couldn't have envisioned. We have shrinking budgets everywhere, and greater demand on the available monies. We have tremendous population growth; we have changes in population distribution, adding municipal and industrial demands for water to the traditional needs of irrigation.

We have environmental requirements that we have to meet. We have had to become environmental managers in order to comply with the law. We have climate challenges. Drought is a routine occurrence in the West, but the severity of what we have been facing in recent years is unprecedented.

We are in a period of record drought in the Colorado River Basin—the driest period in more than 100 years of record-keeping. We’ve had serious drought in other western river basins—the Missouri, the Platte, the Snake. California has entered the grip of a record drought. And drought is a problem not only in the West. When we look at the long-term trends across all regions and river basins, we see drought impacts becoming more frequent and more severe all across the United States. Just outside Washington, DC, some counties in Maryland and Virginia imposed water restrictions last fall because of drought. It had to be unprecedented there to place restrictions on filling swimming pools in October and November.

The Southeast has been hit particularly hard this year, and this situation has created tensions and led to litigation among Georgia, Alabama, and Florida. Although these are not Reclamation states, Secretary Kempthorne asked Reclamation to help since we have worked with difficult, interstate water issues.

And, I have to say, working with those Southeastern states on these tough issues, the Western states are way ahead of the game. By virtue of having gone through these challenges so often, so routinely, we’ve come to the realization that cooperation is a lot more effective than litigation. The processes we have gone through to get through the difficulties are serving as models for areas that are facing these challenges anew.

And we can expect the challenges to continue. The climate models indicate a continuation in the West of increasing temperatures, which affects snowpacks, and runoff, and storage. These trends—limited budgets, climate issues, increased demands—are converging into a perfect storm. The models show more water and fewer people in the Northeast, less water and more people in Southeast and the West.

### ► Responses to the Challenges

Sometimes, new law is the answer. One of our recent priorities was to establish a better program for rural water deliveries—a number of remote communities in the West lack reliable supplies of water. Historically, rural water projects had been assigned to Reclamation by Congress without Reclamation’s involvement in assessment or planning; it was a bad way to do business. The passage of the Rural Water Supply Act in late 2006 establishes a more effective way to undertake projects.

A key part of the Act addresses the challenge of financially burdensome operations and maintenance costs that water districts must sometimes pay. Reclamation studied a loan guarantee program at the U.S. Department of Agriculture and tailored it to fit Reclamation’s needs. We are currently developing the details of a loan guarantee program that would allow us to co-sign a loan for some water districts. We recognized the need for the law and worked very hard with Congress to develop it.

Sometimes, it is a matter of adapting practices to

increase effectiveness and efficiency. For example, we have taken the challenge of aging infrastructure as an opportunity to improve not only operational efficiency but to meet other needs as well. Several years back, we replaced valves at the Arrowrock Dam in Idaho—the new valves were developed at Reclamation’s Hydraulic Laboratory. The change enables more efficient maintenance and better meets the needs of fish and animals there.

### ► Population

Throughout the West, population—and competition for water—has been growing amazingly fast. Do you know the movie *Chinatown*, starred Jack Nicholson, about water wars in 1930s Los Angeles? Things have changed dramatically. And I don’t mean since the 1930s—I mean since the movie was made in the 1970s.

The 1970 census marked the first time that California ranked as the most populous state in the United States, and that has remained the case with each subsequent census. California’s population in 1970 was 20 million. The 2000 census showed California’s population at nearly 34 million, a 70 percent increase.

In 1970, Nevada, my home state, ranked 48th with a population under half a million. By the 2000 census, Nevada ranked 35th and its population had grown 400 percent, to two million. And things aren’t slowing down. Population growth estimates show an increase from the 2000 census to 2006 of seven and a half percent in California, and 25 percent in Nevada.

When we look back to the time of Reclamation’s establishment in 1902, we see, as you would expect, even greater differences in population. The 1900 census showed that California, the most populous among those original 16 Reclamation states and territories, ranked 21st in the nation. In 1900, the population of California was one and a half million; in 2000, the population of Los Angeles alone was more than three and a half million. Only three Reclamation states had populations of more than one million. Half of the Reclamation states ranked among the least populous in the nation. Very last was Nevada, with a population of 42,000.

Now, in the face of these kinds of changes, it would seem that the old laws, the old guidance, would be outmoded. But a great story of how historic law has led to beneficial changes in current practice has been occurring in the Colorado River Basin. The Colorado River Compact is 85 years old. But it remains a viable framework to deal with today’s challenges, despite the challenges being quite different from the way they were when the states came together to form the Compact.

In those 85 years, the Colorado River Basin states have grown tremendously and increased in importance to the national economy. At the time the Compact was signed, these seven states made up only five and a half percent of the national population. California ranked as

the 8th most populous state in the nation, with a little less than three and a half million people.

Colorado was next among the Basin States, ranking 33rd in the nation, with fewer than a million people. The remaining five states all ranked in the 40s: Utah at 40th, New Mexico 44th, Arizona 46th, Wyoming 48th, and Nevada 49th and last, with 77, 407 people.

Compare that to population now. The 2000 census showed the population of the seven Basin states at nearly 18 percent of the national population. Obviously, demands for water have skyrocketed. And we face stresses on supply: as I mentioned, the Colorado River Basin is in the grip of record drought.

What have the states accomplished during these tough times? The seven Colorado River states have surmounted amazingly tough obstacles at several different points of time. Before the start of this record drought, the states developed criteria for water surplus.

Then in 2004, the Lower Colorado River Basin States arrived at the Quantification Settlement Agreement. Part of that agreement aimed at keeping California's consumption of Colorado River water within the Compact's stated allocation of 4.4 million acre-feet per year. Historically, California had exceeded this allocation. Despite an increase in California's population over 85 years from three and a half million to 35 million—a 900 percent increase—California is now reducing its consumption of Colorado River water to meet the 4.4 allocation. The Compact did not change; practices did.

Last December at the Colorado River Water Users Association meeting, Secretary Kempthorne signed the Record of Decision for the Environmental Impact Statement on the Coordinated Operations of Lake Powell and Lake Mead and on the Shortage Guidelines. That agreement was a long time coming; it was also a tremendously significant achievement. The Secretary remarked that this agreement was a “triumph of federalism under our Constitution ... a victory for both the states and the United States.”

In December, looking ahead to the work needed to realize the agreement, I thought of an observation from Winston Churchill: “The problems of victory are more agreeable than the problems of defeat, but no less difficult.” Who would have dreamed that the hard work of carrying out the details would fall into place so quickly? The agreement rose from remarkable consensus among the seven Basin States. That agreement defines four key elements of river management.

First, the new guidelines establish rules for shortages, specifying who will take reductions and when they take them. This is essential for prudent water planning in times of drought. Second, the new operational rules for Lake Powell and Lake Mead will allow these two massive reservoirs to rise and fall in tandem, thereby better sharing the risk of drought. Third, the new guidelines establish rules for surpluses so that, when we have ample runoff, we will

have rules in place to distribute the extra water. Fourth, the new rules will address the ongoing drought by encouraging new initiatives for water conservation.

Who knew last December that within four months we would be fully implementing the second point—the coordination of Lakes Powell and Mead? Because of the improved snowpack of the past winter, we announced in April that the anticipated runoff conditions triggered operation of Glen Canyon Dam under the “Equalization Tier” of the Interim Guidelines for Operation of Lake Powell and Lake Mead.

Under that operation, releases from Lake Powell to Lake Mead would be increased to achieve an end-of-the-water year elevation at Lake Mead 1,105 feet above sea level. That means that releases from Lake Powell were adjusted upwards from what was planned in the water year 2008 Annual Operating Plan to meet the target.

It is critical to recognize that these benchmarks, whether compacts or laws or agreements, are not abstract targets; they result in real-time operations and impacts on water users. Without several years of difficult and sometimes contentious work, we would not have reached last December's resolution. Without that resolution and agreement, we would have lost the opportunity that this year's snowpack and runoff presented.

This is how we are “Informing Law and Practice to Get the Job Done.”

Understandably, the negotiations to carry out the agreement were tough and often tense. There were points along the way where it seemed that things would fall apart, splinter into the individual parties working to advance individual interests through litigation. What got the agreements done was not litigation—it was negotiation and cooperation.

People have been watching these successes and modeling their work on the processes in the Colorado Basin. We have done a good job and put together a string of recent successes despite the challenges of population, record drought—maybe it is because of those challenges that we succeeded, because we faced the challenges and dealt with them head-on. Recognizing the limitations of litigation, people realized that they had to work together to get things done.

Our predecessors left us a magnificent water delivery infrastructure on which we're placing more and more demand. They also left us a process, a spirit of collaboration that finds success by working with, not against, one another. Agreement develops from within. Creating law in isolation and imposing it from the outside doesn't work.

It will take hard work to ensure sustainable water supplies into the future. The keystone is cooperative work. We have surmounted many, many obstacles by working together, and I'm confident that we will continue to succeed well into the future. Those in the past met their challenges effectively and enabled what we have today. We can do as well for those who follow us if we continue to rely on negotiation and cooperation. 🏆

SILVER AWARD: COMMENCEMENT ADDRESS CATEGORY

## Law Enforcement Class #106 Commencement

WRITER: VICTORIA MALLETTE / SPEAKER: MIAMI-DADE COUNTY MAYOR

Miami, Florida, October 3, 2008

Good morning. I am honored to be here today to speak to all of you. You should be proud of yourselves. You have completed a rigorous selection process. Your intelligence, character and mental and physical abilities have been put to the test. You triumphed.

You have the respect and admiration of the people in this hall because we all believe in you. Everything we know about you tells us that you will serve for the good of the community.

Get ready. Most people in our society go to work knowing exactly what to expect and how their day is going to go. You will never as a police officer go to work knowing what will unfold. Just when you think you can relax, you will be called to go above and beyond. In times of crisis, people will expect you to act. They will expect you to be decisive, unwavering and heroic. It is an awful lot to live up to, but believe me, you will find out things about yourself that you never knew. You will find you have an inner strength, a sense of purpose, and moral courage. You will rise to the occasion, no matter what the occasion might be.

You are also entering a world where you will experience the best and worst our society has to offer. I won't dwell on the worst. Suffice it to say that your job is not going to be an easy one.

On the other hand, you will have a front row seat that will allow you to witness firsthand the best and most compassionate people on the face of this earth. I am not only talking about your fellow officers and other public safety personnel -- like firefighters and correctional officers. I am talking about the average citizen who will amaze you with their ability to rise to almost any occasion in service to their community. You will be struck by the lengths the average citizen will go to... to help a fellow resident in need.

During your workday, you will visit hospital emergency rooms where doctors and nurses work around the clock to ease pain and suffering -- and save lives. You will meet convenience store clerks and restaurant staffers who toil to make a living. Taxicab and tow truck drivers, delivery men and women, and shopkeepers will become part of your lives. Professionals and just plain working people will cross your path. All are doing the same thing that you are -- trying to make their way in this world.

If you let yourself realize the good in the vast majority of the people that you encounter -- and not become tainted or cynical because of that other element you will

come in contact with -- you will find that the good outweighs the bad, right trumps wrong, and honesty is not only the best policy -- in the case of a police officer -- it is the only policy.

Believe it or not, 90% of the people you will meet during the course of your day will be upstanding, law abiding citizens, some of whom are crime victims. For the most part, their contact with you will shape their opinion of your department, as well as law enforcement in general. Always remember, the call you receive may seem ordinary -- or even mundane -- but the victim will likely remember it for the rest of their lives. To them, there is no such thing as a routine crime. As far as the victim is concerned, the way you perform your duties will leave a lasting impression and reflect positively or negatively on your department... and profession. Never -- ever -- take your duties for granted or conduct yourselves in a less than professional manner.

When I joined the Miami-Dade Police Department in the 70's, I know most of you weren't around back then. In any event, the decade from the middle 70's to the middle 80's was very trying, to say the least. Police officers throughout the County, from many departments, were getting in trouble. Racial tensions and riots followed. It was not a good time to be a police officer. The public's perception of us -- our approval rating, if you will -- was at an all time low. But I'll tell you what happened. The good police officers, who made up the vast majority of our department, just continued to do their job in a professional manner. They didn't stop enforcing the law. They continued to serve and protect. They remained true to the oath that you will take today. If you remain true to that oath and follow your conscience, you will enjoy a long and successful career.

What exactly do I mean when I say remain true to your oath of office? Let me give you a few examples: Treat other people as you would like to be treated. Treat the poor man like you would treat the wealthy man. Respect the homeless or mentally challenged like you respect the more fortunate. Leave your prejudices behind you. When performing your duties, don't allow race, religion or gender to cloud your judgment or affect your demeanor. Don't take advantage of your position. Each of you has an obligation to obey the law -- even traffic and parking laws -- so don't violate the law just because you can. Don't use your position for monetary gain. I could go on and on about what not to do, but I think you get

the picture.

I've seen officers who find themselves on the wrong side of the law. After they get in trouble and face jail, lose their job, or face disciplinary action, they oftentimes make the excuse that they felt they were operating in a "gray area." Well, ladies and gentleman, I'm here to tell you that when it comes to your behavior as a police officer, there is no "gray area." There is only right and wrong, justifiable and unjustified, within reason and unreasonable. If, during your duties you come to a crossroads and you don't know what path to take, ask yourself one simple question, "What would I do if my mother or father were watching me?" Believe me, you will then know what road to take and without fail it will be the high road which is paved with integrity, morality and a sense of fair play.

Finally, please allow me to give each of you just one more bit of advice. If you remember nothing else that is said here today as you pursue your law enforcement career, do not forget what I am going to tell you now. From your first riding assignment, you are going to find that your fellow officers, supervisors and departmental command staff respect nothing more than a conscientious and hardworking officer who is focused on his or her work. That work itself is very interesting and, if you approach it in the right frame of mind, it can be down-

right enjoyable.

You will hear some peers and supervisors proclaim without the slightest bit of reservation that quote: "the job comes first." Well graduates, I am here to tell you that the job absolutely should not come first. In fact, far too many officers put the job first on their list of priorities to the detriment of other aspects of their lives. Before the job – much more important than the job – is your family and your faith. If you neglect those two aspects of your lives – if you give everything to the job – you will burn out. You will not be happy and you will regret it for the rest of your lives.

What I am asking you to do is put things in perspective. Love your work, be proud of what you do, be a role model for your profession, but do not do so to the exclusion of things that are more important to your health and wellbeing.

Although it is hard to think of now, some day you will retire or move on from police work. If you let it control you, there will be little or nothing that you treasure in your life. But no matter where you go or what you do – no matter if you retire after 25 or 30 years of service or leave police work for some other reason – you will always, forever, and without exception have your family and your faith. So, keep things in perspective.

Congratulations and good luck. 🙌

## SILVER AWARD: TRANSPORTATION CATEGORY

# More Choices, More Votes

WRITER: KELLY SORICE / SPEAKER: TROY CLARKE, PRESIDENT, GENERAL MOTORS NORTH AMERICA

Chicago, Illinois, February 6, 2008

Thank you, and good morning everyone. I appreciate everyone getting up so early ... I know most of us were up late keeping track of the Super Tuesday results.

It was a lot to take in ... analysis from nearly half the country ... who won ... and who didn't. Then, of course, there's all the commentary on who could have won, who should have won, and who won within various demographic and economic segments.

But what I found most interesting was watching the commentary from the voters ... learning what's really on people's minds. The voters didn't dissect Clinton's use of the word "change" versus Obama's, or discuss Romney's early campaign strategy versus McCain's. Instead, they talked about the economy. They talked about the cost of college. They focused on Iraq ... and taxes ... and immigration.

The voice of the people is what interests me most about our business as well. Ask a potential customer about the auto industry, and they don't talk about who's

the global sales leader, or that Chrysler has a new CEO, or the unique market dynamics of Japan.

No, they'll tell you about the cost of gas ... or the cost of ownership. They'll talk about the way a vehicle looks ... or drives ... or how comfortable it is ... or whether it fits the needs of their family.

And, it's up to us – the automakers – to find product and technology solutions that meet their needs. Because, like the political candidates, ultimately, the public has our fate in their hands. They cast their votes every time a new vehicle is purchased. They decide who wins and loses, and what products are right for the market.

And that's what I'd like to talk about this morning. When it comes to the pending election, the candidates will tell you that the nation is at a crossroads. There are important issues that must be addressed. And, then they'll tell you that they are the right person at the right time in history. They reach out to us with their "vision" of a better America ... a better future.

Now, don't laugh ... but automakers like GM are very similar. I am here to tell you that when it comes to personal transportation, and the auto industry, our way of life is at a crossroads.

There are important issues that must be addressed. I'm talking about energy security, climate change and the cost of fuel, which increases the cost of vehicle ownership.

Let there be no doubt GM wants your vote. Our slate of candidates – Chevrolet, Cadillac, GMC, Pontiac, Buick and Saturn – are running on the platform of what we call energy solutions.

I want to reach out to you with a “vision” for better energy solutions and a better future. You tell me if it means a better America.

I want to present our vision in three parts. First, the voice of the customer ... the person who votes with his or her wallet. Second, the role of the future ... its promise and risk. And, finally, the role of technology.

Starting with the people, which is first and foremost on our list for good reason. We – the industry, to include GM – have to develop cars and trucks that people will want to buy ... not just what we want to sell them.

You know, one way to address the energy related issues we face is to go find the most fuel efficient vehicle in the market and mandate that all automakers must reproduce this particular approach or energy solution.

Of course, no one would ever propose such an approach. Why? Because it wouldn't work. Large numbers of customers would reject this effort because it doesn't take their needs, wants and desires into account. Extremely small vehicles wouldn't satisfy some customers even if they got 100 miles per gallon.

Customers will not be a bystander in this process. They will be at the center of it. They won't appreciate how difficult the task, but they will remind us with their patronage. Often they won't be able to tell you exactly what they want. But, the auto industry must be attentive and seek to understand their needs, even anticipate them.

For example, look at iTunes and the iPod. Apple probably didn't respond to a specific customer request for a handheld music player. They did know that people wanted to listen to the music they choose, not what someone else wanted to play for them. Apple sensed a need, perhaps anticipated it better than anyone else, and applied technology to offer more choice. I think we'd all agree that people responded.

Our industry, and GM, must be close enough to our customers that we can anticipate their wants and needs before they may recognize them. This is important given the long lead times of our industry. We need to sense what people will want four or five years from now.

Last year, I attended a focus group in LA. It was one of those “behind the mirror” kind of things. I try to do that whenever I visit a major city or market. When questioned if they would like to have a “green” vehicle, these

LA folks responded, of course, yes. And, what type of vehicle would that be? They went on to describe a Chevy Tahoe that gets 45 miles per gallon.

This isn't the first we had heard this input. The utility, sense of security, and comfort and compelling attributes of our full-size SUVs. We have done a pretty good job of getting to know the full-size ute customer. And, as a result, we currently enjoy about 70 percent market share in this segment. And, that's share we held onto ... even grew just slightly ... last year as well.

Of course, in sensing customer needs, we weren't satisfied that this was good enough. So, we created a new series of crossover utilities. Ten years ago, do you think customers told us, “I'd really like a crossover vehicle next”? Of course not ... a crossover was still a relatively new term ... and most people thought it was a move on the basketball court ... not a vehicle.

But, we listened to what people were telling us they wanted ... the functionality ... the design... the comfort... the economy ... and we looked ahead and built vehicles suited to meet those needs. We provided more choice by bringing to market different vehicles. In fact, we sold 59,000 fuel-efficient crossovers in 2001. Last year, we sold nearly 500,000.

Our newest crossovers – the Buick Enclave, GMC Acadia, and Saturn Outlook – are a big reason for our success. They helped our midsize crossover volume jump 225 percent last year. In fact, we can't keep the Enclave in showrooms. It's one of those problems I'm happy to have.

We have several well positioned entries that are doing exceptionally well, but I think there's even more room to grow. We're not stopping with the great vehicles we already have in the midsize crossover segment. We're expanding our success to our foundation brand ... and I hope you'll all come the Chevrolet press conference after breakfast to get a better look at why I'm so enthusiastic.

And, while my first point was that we always need to be anticipating what's next, my second point today is: when we do that, we can't put all of our eggs into one basket. Varying customer groups have varying needs. And, I don't expect that to change.

For example, when I talk to customers on the west coast, they talk about “going green” and wanting to do business with environmentally friendly companies. In Miami, customers told me about the high cost of gasoline and home taxes, and why M-P-G needed to be boosted in their cars. In New York, the small urban-looking cars get rave reviews. In Texas, they still love their trucks. And, in the Midwest, there are lots of family concerns, like needing room for the kids ... and the neighbor's kids ... and the dog ... while still looking good and getting decent gas mileage.

People have different needs. They always have, and likely, always will. It's why Alfred Sloan devised his legendary “car for every purpose and every purse” strategy. It was a solid plan, and time hasn't changed that.



So, our vision for energy solutions and more start with the customer. To my second point, let's talk about the future. You will recall that I mentioned its opportunities and risks.

Think about this: I recently heard that the rate of scientific innovation will increase 40-fold between now and 2023. That's remarkable considering that if you looked at today's technology and went back the equivalent of a 40-fold increase, you would have to go back to 1880.

Can you imagine debating the future of the automobile when it hadn't been invented yet?

Likely, back in 1880, they were debating steam locomotives. Can anyone here tell me the impact of steam locomotives on the environment? Or who had the highest quality, or used the most incentives? Of course not. Nobody cares, because we're not using locomotives any more.

The frightening thing is that the things we spend so much time worrying about today ... the "apparent" technological energy solutions may not be relevant in 2023.

Our vision for the future is one of wondrous technological change. But, it's a future of significant invention, investment, and risk.

Building on the concept of voice of the customer, we can hedge our risk by bringing a broad set of solutions to the issues we face.

A great example here is the "green" space. Concern for climate change, high gas prices, government regulation, the need to import more and more oil... there are a lot of issues, and a number of ways to go about tackling them.

For GM, the solution involves developing multiple solutions to give the customer choice. Because, just like there are a variety of ways to meet customer needs, there are a variety of ways to get at fuel economy and emissions. And, I want to be clear on this: that's the main driver for General Motors – we want to stay ahead of the game to bring our best technological solutions to market for our customers. We believe – as always – they will decide which ones meet their needs.

In fact, one of the biggest misperceptions of the auto industry is the misconstrued thought that we fight every government regulation out there. It's commonly thought that we'd prefer to build what we want. I've heard a lot – too much – about Detroit's affinity for gas-guzzlers.

So, let me set the record straight: The truth is, we've been making strides in emissions and fuel economy for years. Our customers wanted better fuel economy, and we wanted to provide solutions. They decide what we bring to market.

And, it's hard to believe, but that's why we're in favor of working to meet higher fuel economy standards ... we've been working toward that. However, extreme standards could have an unintended effect on the customer ... something I'm sure they wouldn't want.

As we work to dramatically increase fuel economy on today's engines ... the "locomotives" that will one

day be replaced with future technology ... it could end up costing the consumer a lot more. What you will save at the pump, you could end up paying even more for in technology ... or the lightweight materials needed to help meet the regulations.

So, if we're really interested in giving consumers choice ... and not pricing them out of the vehicles they want ... and if we want to quit importing so much oil and producing so many greenhouse gas emissions... we need to think about other solutions. And, we are.

Of course, we'll keep working to improve the internal combustion engine ... just like we've been doing. But, I'm not going to insist that everyone start driving Saturn Astras or Chevy Cobalts ... not that I wouldn't be happy to take your orders if you'd like to get into one of those fine cars ... or any of the many others we have that get over 30 miles per gallon.

We know some people need bigger vehicles, which is why we're also introducing three new full-size hybrid utilities this year: the Chevy Tahoe, the GMC Yukon and the Cadillac Escalade. Those are vehicles that get the city fuel economy of a four-cylinder Toyota Camry, but in a full-size SUV package.

Because, let's face it ... if you have to trailer a boat, or have a big family, or even a few pets ... other fuel efficient vehicles aren't going to do it for you. So, again, we didn't try to dictate what people purchase. We just wanted to give more options ... to meet buyers' needs ... and yes, defend our share in an important segment.

Same holds true for full-size trucks. GM not only makes the most fuel-efficient trucks on the market ... but we are also offering them as hybrids. It's about choice and doing right by our customers ... whether they want to save gasoline or save the planet.

This is a good place to segue to my final point: knowledge of the customer, a broad set of options. It comes down to technology. Our vision of the future is based on technology ... so let me quickly sum up some of our efforts here.

General Motors is right in the middle of a massive rollout of hybrids. By the end of this year, GM will be selling eight different hybrid models in the U.S. In fact, we'll introduce 16 new hybrid vehicles over the next four years.

And, in Detroit last month, we unveiled the Saturn VUE Plug-In Hybrid. It will feature an advanced lithium-ion battery, and potentially twice the fuel economy of any SUV on the road today. So, the customer choice continues.

But, we know that internal combustion engines, and even hybrids, may not be the long-term solutions. So, we're not only focused on those technologies.

There are a number of technologies we're working on. For example, by far, the quickest way to make impact emissions would be to increase production of ethanol, ethanol-capable vehicles, and ethanol distributors.

If all the flex-fuel vehicles that GM, Ford, and

Chrysler have on the road ... plus those that we've already committed to produce over the next 12 years, through 2020... were to run on E-85 ethanol, we could displace 29 billion gallons of gasoline annually... or 18 percent of the projected petroleum usage at that time.

And if all manufacturers in the U.S. made that same commitment, we could save 53 billion gallons of gasoline annually... or 32 percent of our petroleum usage.

Nothing else we can do gets even close to that kind of impact, that soon. Absolutely nothing.

What's more, ethanol offers a cleaner alternative to petroleum... it's adaptable to our current refueling infrastructure... it doesn't have to be imported... and it requires little change in consumer behavior.

That's why we were so pleased to announce our partnership with Coskata, Incorporated, of Warrenville.

Speaking of Coskata, our partnership to rapidly commercialize their breakthrough technology is getting another boost today. Coskata just announced a strategic alliance with the largest builder of ethanol plants in the country to construct their first commercial production plant. To me, this is further evidence that we chose wisely for our first partnership in the ethanol space.

I'll be visiting Coskata's labs later today, where I look forward to learning more about their proprietary process that produces ethanol at a projected cost of less than one-dollar-per-gallon. And, they can do this using almost any source material ... everything from agricultural waste to old tires.

Coskata's cellulosic process is expected to use less than one gallon of water, per gallon of ethanol produced. At the same time, it will create more than seven times that amount of energy... both ratios that are much better than current ethanol production.

And, this is no science experiment. Coskata expects to have their pilot plant up and running late this year. Next is a plant capable of producing 50 to 100 million gallons of ethanol a year by 2011. And, then the ramp up will continue. And, that's a good thing ... because we're looking forward to using the ethanol at our proving grounds back in Michigan.

I'm very pleased that Bill Roe, president and CEO of Coskata, was able to join us today. Bill is a visionary ... and his company can make a true impact not only on our transportation, but also on our environment.

I think Bill's company is doing its part. And, at GM, we're working to do ours. We've already got two-and-a-half million flex-fuel vehicles on the road today – vehicles that can run on gasoline, ethanol, or any combination of the two.

We currently have 11 models that can run on E-85 ... and I'm pleased to say that we have even more coming. Today, we're announcing that one of those vehicles will be the 2010 Chevrolet HHR ... and importantly, the HHR will have the very first four-cylinder engine that

GM North America will offer as flex-fuel capable.

That opens the door for many more GM products with the Ecotec 2.2- or 2.4-liter four-cylinder engines to become compatible with E85. This will enable us to fulfill our pledge to make half of the vehicles we produce flex-fuel capable by 2012.

However, to realize the potential that these vehicles can offer, we must make ethanol readily available to customers ... by dramatically expanding the number of ethanol fueling stations. And, it's also time for the U.S. government, either through further incentives or regulation, to address this matter.

For the long-term, we're working on extended range electric vehicles. It's why we've been focused on showcasing our E-Flex propulsion system, and the terrific Chevy Volt concept... and several E-Flex variants... including an E-Flex fuel cell Volt, the Opel and Saturn Flextreme, and very recently, the E-Flex fuel cell Cadillac Provoq.

In fact, it'd be great if the government could give battery research the same attention they've given fuel economy. We'd appreciate the support in bringing these next generation products to market ... and I know our customers would as well.

We've also got the world's largest test fleet of fuel cell vehicles on the road today. We're in the process of placing 100 of these Chevy Equinoxes in the hands of potential customers here in the U.S. to get their feedback and use it for future planning.

We've demonstrated our commitment to a range of advanced propulsion technologies that will reduce growth in oil consumption and in oil imports. And, at the same time, we'll be giving customers what they want – a variety of vehicle choices and technologies to suit their needs.

As I said earlier, we don't only want to respond to the needs of the market ... we want to anticipate them. That's why we're developing our next generation of vehicles with the customer in mind ... at the same time, we're keeping in mind that customers vary greatly, and that no automaker can't dictate what they'll want, or just as important, what they'll buy. That's why we need to be open to many different solutions to meet their needs.

Our eye is on the future. We're laying out a plan for long-term success. And, our focus on the customer is at the heart of that plan. Will we adjust as we go? Certainly. Will we get every vote? Probably not. But, at the end of the day, we'll have more customers who are pleased to have better products, with better technology and more choice than ever before.

We're looking forward to showing you some of our newest products and ideas ... our compelling vision ... during the next few hours and within the coming days. I'd appreciate your thoughts on what you see, and I thank you for your time this morning.

Now, I'd be happy to answer your questions. 🍷

## SILVER AWARD: MEDIA CATEGORY

# Out of Eden: The Dawn of the Digital Age

WRITER: WILLIAM BARTLETT / SPEAKER: JEFF ZUCKER, PRESIDENT AND CEO, NBC UNIVERSAL

London, England, September 26, 2008

Thank you, Simon, for that introduction.

It is a pleasure and an honor to be here today. The Royal Television Society is an historic organization, and its membership over the years has heard from virtually every major thinker in the history of television. It is quite an honor to be included.

The history of broadcasting in Great Britain was for many years synonymous with the history of the BBC. Not to disparage my friends at CBS and ABC, but a similar claim can be made for NBC and broadcasting in the United States.

I thought it would interest you to know how closely linked our respective histories are.

In 1922, the Marconi Company created the BBC.

A few years later, in 1926, the American company RCA founded NBC.

What's interesting here is that RCA was itself indirectly a product of the Marconi Company—since it was created to hold the patents of Marconi's American subsidiary, patents which were owned by GE.

Along with Marconi's patents, when GE bought Marconi Wireless of America it gained the services of a brilliant young engineer by the name of David Sarnoff.

From then on, the story of broadcasting in the U.S. was written largely by General Sarnoff, just as the BBC's founding father John Reith was such a big influence here in the United Kingdom.

Of course, one big difference between NBC and the BBC is that TV license fee—which I can't help being quite jealous of.

So it's fair to say that U.S. broadcasting and NBC owe a great deal to the visionaries who were behind the creation of the BBC at the dawn of broadcasting.

And the Royal Television Society has been a part of it all since 1927, which is just amazing.

How far we have come since then!

Sixty-one years ago, the great physicist J.A. Crowther gave a lecture at the Royal

Television Society, titled "The Dawn of the Electronic Age."

Television was immensely exciting in 1947, right before the explosion of TV set ownership, and of groundbreaking entertainment such as Milton Berle's show in the U.S. and *How Do You View?* with Terry-Thomas in England.

Today, I think we're at another dawn—the dawn of the digital age. It's also a very exciting time. We're seeing the explosion of new technologies, of new ways of ac-

cessing media, and of new types of entertainment.

I don't know what Professor Crowther had to say to his audience, but I wouldn't be surprised if he delivered an optimistic message about a coming new time of ubiquitous information, the democratization of knowledge, and the tremendous opportunities that awaited those who were smart enough to move decisively.

Today, a few generations later, I'd like to deliver an optimistic message about our own new time of ubiquitous information, the democratization of knowledge, and the tremendous opportunities that await those who are smart enough to move decisively.

And I am optimistic. Not recklessly so. I'm very aware of the challenges we all face in this quickly evolving media world. But the possibilities are just so incredible it is impossible not to be excited. This is especially true for content providers such as NBC Universal, who have tremendous experience and expertise in developing, producing, and marketing high-quality movies and TV shows for audiences around the world.

I want to talk about these possibilities, but first let me review some of the key trends we're seeing in media usage in the U.S. that I think are relevant to Great Britain and indeed to the rest of Western Europe. Like I said, our main business at NBCU is quality video content. The bigger our audience the happier we are. So we are intensely focused on what audiences want and on how they use media. And this is changing in some interesting ways.

Here are five key trends that inform our strategic thinking.

First trend: The rise of multitasking. As media options expand, the amount of time people spend using more than one type of media at the same time expands to match.

Why? Because the day isn't getting any longer. Last time I looked, there were still 24 hours in a day, and people still spend seven of them sleeping and eight or nine of them working. That leaves about nine hours for everything else, including using media.

The surprising fact is, consumers in the U.S. spend an average of 12 hours daily with media—but they do it in nine hours.

In other words, there is more and more multitasking going on, as the choices consumers have at their fingertips expand and multiply.

Meanwhile, television is still far and away the most popular form of media, and is projected to stay that way for the foreseeable future. We estimate 12 percent growth

in time watching TV in the U.S. from 2001 through 2011. Over the same time period, newer forms of media like Internet usage, videogames, and home video usage will grow at nearly 50 percent.

Clearly, so-called “old” media is not being replaced by the new. And far from traditional media being in decline, in some ways we are just now entering the true “golden age” of media. Certainly this is true from the consumers’ perspective. Never before in the history of media have they had so many choices.

Second trend: Fragmentation. More media means more fragmentation.

In the U.S., we now have more than 700 TV networks, including free over-the-air broadcasters and cable channels. The average home in the U.S. receives nearly 120 channels, and the audience share of the traditional “big four” TV networks in the U.S. has fallen over the last decade from more than 50 percent to less than one-third. Obviously, this makes it much more challenging to attract a large audience.

Third trend: The pace of change in consumer behavior is increasing, driven by new technologies.

It took 17 years for the color TV to reach half of U.S. homes. The digital video recorder became mainstream in less than five.

And in the two and one-half years that full-length TV programs have been available on the Internet in the U.S., over 25 percent of viewers have reported watching an online episode. This marks an unusually rapid change in consumer behavior.

Four years ago when we broadcast the Summer Olympics from Athens, Internet users watched just over 2 million video streams. For the Beijing Games, the comparable number was more than 75 million, an increase of over 3,000 percent, if there is such a thing.

In themselves, these changes in consumer behavior are neither good nor bad. Ultimately, how they impact our businesses is up to us, and how smart we are about seizing the opportunities that are inevitably created when consumers start doing things differently.

Fourth trend: How consumers use and think of the Internet is changing. In the mid-1990s when the world first started going online, the Internet was a tool for finding out information and for sending and receiving email. That was all.

Ten years later, by 2005, information and email were still the dominant uses, but we had added shopping and entertainment as possible activities.

Now, in 2008, the rise of broadband connections has led to a significant shift, with consumers still going to the Web for information and to send email, but with the web becoming increasingly an entertainment medium, which more and more means video entertainment.

Seventy-five percent of Internet users in the U.S. have streamed video in a given month. And, in a phe-

nomenon we call “video snacking,” millions of people go to the web on a typical lunch hour to check out the latest short video—including most of my younger employees.

Video on the Web is here for real ... and it’s here to stay. Again, established media concerns should not waste time seeing this as a loss. Our job as content providers is to figure out the business models that will keep us from exchanging analog dollars for digital pennies—or pounds sterling for pence, as the case may be.

Fifth trend: An increasing interest among consumers for content on demand and time-shifted viewing.

Among adults 18-49, which is a key demographic for advertisers in the U.S., those who own a DVR time-shift up to 40 percent of primetime viewing of the four biggest networks.

This obviously has huge implications for the traditional television business model, where we contract with advertisers to deliver a certain number of viewers of a certain demographic at a certain time.

We’re in the midst of creating a new business model where the key metrics go beyond just exposure to a marketer’s message to include engagement as well. Increasingly, we’re selling not just the number of eyeballs but also more-difficult-to-measure concepts like return on marketing objective.

Given these five trends—the rise of multitasking, increased fragmentation, increasingly rapid pace of change, a changed perception of the Internet, and growing demand for on-demand content—how do we respond?

I truly believe the answer’s quite simple, at least for NBC Universal. We do what we’ve always done. We concentrate on making great content, distributing it, and selling audiences to advertisers—even if the means of distribution and the definition of what’s actually being sold are changing.

This means, although in some crucial respects we are in uncharted territory in our new digital age, in some ways nothing significant has changed. Distribution and marketing demands are shifting, but compelling content is still the key, and where it all starts.

We are narrative creatures. We love to hear and tell stories. We use them to help us make sense out of our lives, to connect with and understand the world outside our selves, and for the sheer pleasure of being drawn into a captivating tale.

This hasn’t changed since the age of Shakespeare and before. Across all cultures, all demographics, all eras ... we love a great story.

So, first, concentrate on making great content—on telling the stories that are going to resonate with audiences—whether it’s a real-life story like Michael Phelps’ quest for eight gold medals, or a fictional narrative like the great comedies and dramas that our audiences expect from a major broadcaster like NBC.

Because a great story will always have an audience—

even in our new so-called YouTube age.

You might find it interesting that on the list of the 20 most-played videos of all time in YouTube's short life span, 17 have been professionally produced content.

Even on the Web, even in our age when every individual supposedly has all the tools required to be the next Stephen Spielberg, user-generated content is not replacing the highly crafted products of creative professionals.

Second, embrace ubiquitous distribution.

Anywhere and anytime an individual has an opportunity to engage with media, we need to be there. That's our goal.

By the way, one timely example of this will air tomorrow here in London, when Channel 4 broadcasts our news channel MSNBC's coverage of tonight's debate between Senators Obama and McCain, which as of right now is still slated to take place. This is the most important election in our lifetime, and we've had incredible demand around the world for our coverage.

Ultimately, distribution will be completely commoditized, and consumers will have access to virtually unlimited content via any number of distribution mechanisms. In this environment, the quality of our content will be all we have to offer ... all we have ... and more than enough—as long as we are successful in replacing the old cost structure for creating content that evolved in Hollywood during an entirely different era.

And that cost structure must change. One of the ways we are trying to do this is by opening our own production studio right here in the U.K.—led by a talented American executive, Angela Bromstad. We are about to produce a program here for NBC called *The Philanthropist*. In past times, we would have produced that in the U.S. This time, we're going to do it here.

Similarly, next week on NBC we will premiere *Crusoe*, a program we licensed from Power Television in the U.K.

The bottom line is, we're attacking our cost structure in new and creative ways, without sacrificing the quality of what our audiences have come to expect from us.

Another part of this creativity has to do with what we call our 360 approach. When someone develops a TV show for NBC Universal, they know they are creating content not just for a TV screen but for the Web and for cell phones as well. Usually, it's not simply lifting a TV show and reformatting it for the Web. It's creating new content that works for that specific medium. It's more demanding but it's a great opportunity to tell stories and engage audiences in new ways.

Provide great content and distribute it across every platform. Those are two of our strategic priorities.

Hulu—our online video joint venture with News Corp., is a great example of this. It opened to rave reviews and almost immediately became the most popular site in the U.S. for viewing professionally produced

video. We look forward to eventually expanding its footprint beyond the U.S.

Our third strategic priority is just as important as the first two, and it has to do with our relationship with our advertisers, who, after all, help pay for the expensive content we produce.

You can't sell what you can't measure. This is why we are investing in new metrics, like what we call the TAMi, or "total audience measurement index," which we unveiled at the Beijing Olympics. This measurement aggregated our audiences from television, mobile phones, websites, and video-on-demand, in order to show advertisers a truer picture of our total audience.

As you would expect, television is still the 800-pound gorilla. But more than 50 million people received our programming through platforms other than the TV set—representing 22 percent of the total exposures. This is very significant to marketers ... and eventually will be very significant to our bottom line as well.

We are also engaged in a slew of research studies designed to help advertisers reach their objectives more efficiently. Our research confirms, for example, that ad effectiveness and recall are boosted when consumers have exposure to an advertisement over more than one platform. This suggests that smart marketers should take advantage of all platforms to deliver their messages—TV, web, and mobile. The whole is greater than the sum of the parts.

Look, anyone who says they know how media content will be monetized five years from now is kidding themselves.

We don't have all the answers, but we know that the best solutions to making media content work both for creators and for marketers will be developed by working collaboratively and in new ways with advertisers.

We've certainly been leading the way in this effort back in the U.S. and it has really been paying off for us.

Content ... distribution ... measurement—these all came together recently in a \$1 billion laboratory we call the Beijing Olympics.

What we learned about consumer behavior in a multiplatform world was extraordinary. It gave us a real glimpse into the future.

We streamed more than 2,000 hours worth of live broadband video over our website during the Olympic Games.

There was great interest among media watchers in the U.S. as to whether people would watch the Olympics on the Web ... and whether it would adversely affect TV ratings.

The answers: a resounding "yes" and an equally resounding "no."

More than 12 million Americans watched nearly 10 million hours of online video during the 17 days of the Olympic Games.

Of this large group, more than 99 percent also watched

our programming on their TV sets. Which means fewer than 1 percent relied solely on the Internet for their Olympics viewing. However, most viewers did use the Internet to supplement their TV viewing, and about 2/3 watched TV and logged on to the website at the same time!

We also discovered that the main use of our broadband streams were to either replay a highlight that a viewer had previously watched on TV, or to catch up on a specific event they happened to miss on TV.

One example of this was the dramatic finish to the men's 4-by-100 freestyle relay, in which the American swimmer Jason Lezak won the race on his final stroke. The day after the race, more than a million people logged on to their computers to watch the highlights video.

Even with this tremendous amount of web-viewing, TV ratings were through the roof. Our ratings were the best for any Olympics held outside the U.S. since Barcelona in 1992.

The lesson is clear: for an event like the Olympic Games—for which the most enjoyable viewing experience is with family and friends gathered around a large high-definition television set—the Internet does not cannibalize TV viewing but in fact supports and supplements it.

In fact, here's a truly remarkable stat: people who watched the Olympics on both TV and the Internet ended up watching twice as much TV.

In other words, for people who are enthusiastic about the content—be it the Olympics or *Heroes* or *30 Rock*—making content available on all platforms leads to more—not less—viewing on TV.

Partly this is a function of the new HD world we live in. If you're a true fan, you're going to want that wide-screen, HD experience. And partly it is a function of the fact that giving people the opportunity to interact with this content throughout the day no matter where they are, just creates more interest and excitement.

We are taking this lesson and applying it to our coverage of the National Football League, our equivalent to your English Premier League. We are streaming the games at the same time as the broadcast and not seeing any loss of TV ratings. More important, we are using the web to offer viewers all sorts of extras: different camera angles they can't see on the TV, the ability to watch multiple video streams at the same time, and up-to-the-minute player and team statistics.

Just past Sunday, we had the second biggest audience ever for NBC's Sunday night football program—and at the same time a record number of streams on the website.

This is all consistent with what we've learned: that—especially for a live sports event where everyone wants to watch in real-time on a big screen—the Web is a perfect tool to drive audience engagement. For the fan who can't get enough football—I know this will be a tremendously popular offering.

And I'm sure my friend Michael Grade will be watching closely and making plans to do the same thing the next time Arsenal takes on Chelsea.

The Olympics gave us a ton of data that we are just beginning to analyze. But there is one study we did that is particularly exciting because it addresses the “holy grail” of research—the ability to produce “single source data”—that is, measuring a single, specific individual's use of television, Internet and mobile, in all locations.

This is the metric the industry—advertisers, agencies, content providers—has been waiting for. Because only when we can produce single source cross-platform measurement can we begin to develop a currency for the new media environment.

We learned during these Olympics that we can produce single source measurement, and that's a historic first. And while we have a lot to do before this becomes a currency, it has already offered us fascinating insight into how some people utilize the three platforms.

The data we have measures each panelist's daily media consumption from the time they get up till they go to bed—everywhere they go—and most importantly, because it's a meter and not self-reported data, it offers a precision and accuracy that simply hasn't existed until now.

Because this is such a unique study, I want to demonstrate the results for you in this slide.

We're looking at just one of these panelists: she's a 23-year-old woman living in Miami and I'm just going to show you a slice from one day in her Olympics media life: primetime on Monday, August 11.

She began the night at 8 p.m. both at NBCOlympics.com and on NBC—using both at once. She stayed on the site until 8:45 and watched TV until 9:03. She came back to NBC again twice in the next hour. Then, at 10:24 she came back again, and a minute later she visited NBCOlympics.com from her mobile phone for 16 minutes while she continued to watch TV. Then she watched TV from 10:57 until 12:38 a.m., and visited NBCOlympics.com three times while she watched.

We've always known there is an interplay between the various media platforms; it is only now that we can actually measure it.

We have no way to know how representative her behavior is at this point. But I think it is fair to say we are looking squarely at the media future and these Olympics are going to help us crack the code of multiplatform media, which we will use internally and share with our sales and marketing partners.

This study, along with our others, has given us a look at the future—and we like what we see.

The theme of our meeting today is “Opportunity Knocks: The Digital Land Grab Is On.”

I think this is exactly right. Audience demand for content is rising. Distribution costs are falling. Advertisers will always have messages that need to be delivered,

and there's no more effective way to do this than through aligning yourself with the unforgettable viewing experiences that we know so well how to create.

It is all too common for people in traditional media like television to wax nostalgic at the memory of 30 shares and limited competition. It was paradise. And it's gone forever.

Given I'm here with you in England, which has so much history and has contributed so much to the world's culture, I'd like to close with a reference to another paradise.

At the end of John Milton's great epic, *Paradise Lost*, Adam and Eve are expelled from Paradise and sent out into the fallen world.

The paradox, however, is that it is actually a very hopeful scene:

Milton writes: "Some natural tears they dropped, but

wiped them soon ... The World was all before them."

We might shed some tears for the 30 share of thirty years ago in our analog Eden, but a new, exciting, digital world is all before us.

The fact is, the opportunities far outweigh the challenges. Content distributors have greatly expanded opportunities for getting their content in front of viewers. Content creators are energized by all sorts of innovative possibilities for new types of storytelling. And advertisers have the ability to engage with their target audiences in new ways that allow for unprecedented levels of engagement.

For Adam and Eve, the road out of Eden wasn't easy, but it was full of promise, and full of excitement. The same is true for you, and for us.

Thank you. 🙌

## SILVER AWARD: SERVICE INDUSTRY CATEGORY

# Quo Vadis Redux—Or “Where Are We Heading”

WRITER AND SPEAKER: DANIEL ROSE

New Haven, Connecticut, April 4, 2008

At this first national conference of the Yale Alumni Real Estate Association, it seems appropriate to address two important questions: First, looking at the real estate field in perspective, we should ask where we have been, where we are and where we are going. Second, as individuals seeing ourselves in perspective, we should ask where we have been, where we are, and where we should be going.

To deal effectively with the first question, we must realize that real estate economics has micro and macro aspects. Local challenges of site acquisition, building design and construction, leasing, management and so forth are obviously crucial, and they are the fundamentals of our day-to-day activities. But the macro problems of real estate cycles and the financial conditions that determine a project's success are influenced by national and global factors not readily apparent.

Local market conditions and global capital flows must both be understood; and, in 2008, the macro economic question is more challenging.

No one has an unclouded crystal ball, and it is sobering to realize that, for example, the U.S. credit crunch of 2007 took virtually all economists by surprise. In 2006, the term “subprime mortgage” was unknown to the general public, and most economists (except for a few such as Yale's Professor Robert J. Shiller) seemed unconcerned with housing finance practices.

Today, the current volatility of the stock market, with its three-digit surges and crashes, shows how nervous investors are; the fluctuating interbank lending rate shows

how wary banks are of lending even to one another; and the conflicting signals we receive are bewildering.

On the same day that the Blackstone Group announced it had raised a fresh \$10.9 billion fund to invest in real estate opportunities ahead, JPMorgan Chase analysts predicted the U.S. commercial real estate market could decline by as much as 20% over the next five years. And at the moment when most observers anticipate a softening of the Manhattan office market because of an expected loss of 20,000 to 30,000 financial services jobs, the General Motors Building is rumored to be close to a sale at \$2.9 billion that would give its purchaser a negative cash flow.

On Friday, March 14, I heard President Bush tell the Economic Club of New York how strong and resilient the American economy was and how government should not over-react to current problems. As he spoke, Bear Stearns informed the government it was contemplating Chapter 11 protection, and Messrs. Bernanke and Paulson spent the weekend pulling rabbits out of their financial hats.

The President's relaxed reaction, then and since, recalls the comic version of Kipling's poem *If*—“If you can keep your head when all about you are losing theirs and blaming it on you, perhaps they know something you don't.”

This week, Federal Reserve Chairman Bernanke told Congress that he expects the economy to grow in the second half of 2008 and to be solid in 2009. Yet this same week's Michigan Consumer Confidence Survey

showed public confidence (historically the best predictor of recession) had declined to its lowest level in 16 years; the Conference Board's index of leading indicators fell for the fifth consecutive month; and forecasts indicate that residential construction this year will fall below one million starts for the first time since 1991. Traditional economic forecasting signals—such as job loss/creation, home foreclosures, credit card delinquencies, bankruptcies—are negative.

Optimists, who want to believe in good times, but who contemplate grim fundamentals, feel like the fellow in the Tom Lehrer song who was “as nervous as a devout Christian Scientist with appendicitis.”

At this moment of financial turmoil it is useful to remember some basic economic “facts of life”:

- a) leverage works in both directions, with smiles on the way up and tears on the way down, and our financial institutions and vehicles are wildly over-leveraged in these difficult times;
- b) a “liquidity crisis” can easily be solved by the Federal Reserve (as lender of last resort) but a “solvency crisis” is a different problem entirely—monetary policy cannot make bad investments turn good;
- c) supply and demand are complex factors, with “demand” referring to those ready, able and willing to buy, and “supply” often varying with price. A public worried about falling home values, rising interest costs and possible unemployment may be reluctant to spend;
- d) with national and international inflation rates clearly rising, we note that Jimmy Carter did not copyright the term “stagflation” in the 1970's, so it will be available for use next year should conditions warrant it. It is difficult to understand why our economists continue to use the term “core inflation,” which does not include energy or food prices, since Joe Sixpack is fully aware of what he is paying at the gas pump and the supermarket;
- e) and, finally, we should remember that Jack Kennedy noted not only that “the rising tide lifts all the boats,” but also, as he smirked privately to friends, “when the police raid a house, they take all the girls.”

Real estate practitioners sometimes forget how deeply their fortunes are tied to those of the general economy. A good place to begin such a discussion is with capitalization rates, or the ratio between a property's income and its price.

A net cash flow as free and clear of \$100 with a cap rate of 10% gives a property a price of \$1,000. If the cap rate drops to 5%, the price of the same income flow rises to \$2,000. When cap rates “revert to their historic mean,” those prices will decline accordingly.

From 1987 to 2001, cap rates of U.S. office buildings, shopping centers and rental housing complexes generally were in the 8% to 9% range; by 2007, cap rates had plummeted (in some markets to 5% or less) and prices soared.

The cause was detailed in Tony Downs' perceptive book, *Niagara of Capital*, which describes the massive flow of capital into real estate after Alan Greenspan in 2003 dropped interest rates to 1% and kept them there. For 31 consecutive months, the base inflation-adjusted short-term interest rate was below zero. The result was, in Downs' words, “an unprecedented disconnect between conditions in commercial space markets, where rents and occupancies were falling, and conditions in commercial property finance, where prices soared on well-occupied buildings with good cash flow.”

To compound matters, just as a global savings glut, particularly in Asia, poured foreign funds into the U.S., Wall Street's huge increase in securitization of debt of all kinds gave lenders an unrealistic sense of confidence in the very real risks they were facing; and rating agencies' AAA approval of subprime packages added fuel to the fire.

These reinforcing factors pushed cap rates to their recent lows which history tells us cannot be sustained. Last year when Harry Macklowe bought a package of office buildings from Blackstone for \$7 billion, with a \$5.8 billion short-term loan from Deutsche Bank and \$1.2 billion from the Fortress Investment Group, his \$50 million on top controlled a lot of bricks and mortar. Today, with Deutsche Bank pressing for return of its loan and no buyers in sight for the package at \$6 billion, life looks different for all concerned.

At the moment, U.S. real estate markets are all but frozen, but most observers believe it will probably take about 18 months for them to return to normal fluidity. At what cap rates, and at what sales prices, one can only guess.

U.S. housing markets present a similar picture, with a universal feeling that they are over-priced and over-mortgaged.

As Professor Shiller documents in his thought-provoking book, *Irrational Exuberance*, real U.S. home prices, which traditionally rise at the rate of inflation, increased 52% between 1997 and 2004, much faster than incomes rose. From 1985 to 2002, he points out, “the median price of an American home rose from 4.9 years' per capita income to 7.7 years' per capita income.”

Nationally, home prices have dropped about 10% since last Spring, and Professor Shiller said recently that he thinks we could see home prices in gradual decline for five years or more. An authority on the psychology of financial decision-making, he is a firm believer in business cycles.

Some observers believe that during the next three



to five years, house prices could fall as low as their 2001 levels, which in some regions would show huge losses. Goldman Sachs recently proclaimed that home prices in California are overvalued by 35% to 40%. Once home prices in a region fall by more than 20%, even borrowers with solid credit and mainstream mortgages face serious problems. Subprime borrowers will have long since been in extremis, with their mortgagees in trauma.

Government assistance efforts to date have focused on lenders; homeowners present a more difficult problem. Widespread home ownership is a desirable goal, but not all purchasers can afford to own houses; and no one feels much sympathy for speculators who bought condos or second homes hoping only for a quick and profitable flip.

Some economists fear that the subprime problem may be the earliest manifestation of a deeper credit bubble involving high yield bonds, commercial mortgages, leveraged loans, credit card and student loan debts and—the big unknown—credit default swaps. These instruments, meant to insure bond holders against default, currently cover some \$45 trillion, yes trillion, in investment portfolios, up from \$1 trillion in 2001.

If the Bernanke/Paulson team can maintain stability and confidence in the integrity of our financial system, these challenges can be met. Otherwise, the possible scenarios are too painful to contemplate.

When I recently asked Larry Summers, former Secretary of the Treasury and former head of “that other place,” if he was worried about credit default swaps and the other huge, opaque financial vehicles, he replied, “Yes, worried, but not panicky,” by which I assume he thought they could be dealt with in due course.

At some point, the world’s increasingly complex financial structure—with an estimated \$500 trillion dollars in opaque derivatives that are unanalyzed, unregulated and barely understood, and recently created multi-billion dollar Sovereign Wealth Funds—that can be applied to political as well as economic goals—must be subjected to mature and thoughtful discussion and prudent regulation.

Eventually, when we come through our current cyclical problem, the next U.S. President can then face our zero national savings rate, large and continuing domestic and foreign account deficits, weakening dollar, huge and pressing infrastructure needs, our unfunded Social Security obligations, painful dependence on foreign oil, and national income inequality at its highest level since 1929. (I assume health care and environmental problems will

be tackled first.)

Just as a heroic Paul Volcker faced up to the ramifications of the “cheap money” policies of Arthur Burns, so a new Paul Volcker will in turn have to face up to the problems left by Alan Greenspan; and life will resume.

In time, the world will right itself; and the real estate economy will revert to its historic “means,” that is, house prices rising by roughly the rate of inflation, and income-producing real estate with cap rates reflecting the risk/reward ratios of medium quality bonds.

In the long run, the sound strategies of thoughtful investment managers like Yale’s incredible David Swenson and of “value” investors like Warren Buffet will be proved correct, of course. But in the long run, too, new financial bubbles will eventually arise and will eventually burst.

Robert Shiller, who more than any other economist writing today understands the impact on business cycles of herd psychology and “animal spirits,” writes admirably of his mentor, Prof. Charles Kindleberger, author of the classic, *Manias, Panics and Crashes: A History of Financial Crises*. Kindleberger, in turn, admires and cites Charles Mackay’s *Popular Delusions and the Madness of Crowds*, which describes the South Sea Bubble, The Dutch Tulip Craze, John Law’s Mississippi Schemes and similar explosions.

If only our bankers, brokers and hedge fund types had read those books!

As for today’s second question, that of our individual careers and the lives we lead, I would like to recommend two books that should be required reading for everyone in our field. The first, by Buzz McCoy, is called *Living Into Leadership—A Journey in Ethics*. The second is by William J. Poorvu and is entitled *Creating and Growing Real Estate Wealth—The 4 Stages to a Lifetime of Success*.

These two volumes are by men of character and competence who are giants in our field and whose wisdom is widely admired and respected. They discuss the importance not only of deals but of relationships, of investment not only in one’s financial capital but also in one’s human capital through appropriate training and experience; and they discuss your role in your career field and in your community.

In pragmatic terms and by practical examples, they echo the ancient Roman Tertullian, who said, “Any calling is noble if nobly pursued.”

Study these books and—along with a good sense of values, a happy family and a Yale education—they will help you not only to make a living but to make a life.

Thank you. 🙏

*BRONZE AWARD: GOVERNMENT CATEGORY*

## Healthy Choices: From Surviving to Thriving

**WRITER AND SPEAKER: SENATOR VALERIE WIENER**

Las Vegas, Nevada, August 3, 2008

For many of you, thoughts of legalized gaming and Nevada are synonymous. That's understandable. It's likely that your first vision of our city captured the magnificent lights and unique structures of our world-famous, casino-dotted Strip. If you traveled by air, as you disembarked your plane, you had the chance to amass your first winnings at nearby slot machines. When you arrived at your hotel you experienced the energy of our city's unsurpassed 24-hour casino gaming.

Certainly, gaming has had an influence on us "locals" as well . . . especially those—like me—who were born here.

In fact, our city's colorful history has influenced my family for six generations.

My dad, his grandmother, his parents, and his sister moved to Las Vegas in 19-31. During the depths of the Depression ... under the cloak of darkness on a midnight train ... they left their home in Pittsburgh, Pennsylvania. Because the Depression had hit them so hard, they had only 100-dollars to pay for food and shelter on the other end of their trip.

Las Vegas was a dusty railroad "section town" then. It was a stopping-off place between Salt Lake City and Los Angeles. Our community was a railroad hub, because it had a round house where railroad engines could be repaired. And, it was the logical place to change crews.

Much of downtown—part of what we now call the Fremont Street Experience—was filled with "company houses" built by the railroad. Where the houses stopped . . . so did the paving.

That's where my family rented a one-bedroom house for \$80 a month. About 3,000 people lived here then, and many of them—like my family—had moved to this frontier town because of the building of Hoover Dam.

Las Vegas High School was a brand-new structure. Because population was sparse between here and anywhere ... the football coach had quite a challenge when seeking teams to play on Friday nights. So, while he did his part, the students did theirs. To ensure the safety of the players in each game, every Friday, during school hours, students would roam the football field to pick out the rocks and mini-boulders that could injure players that evening.

I know this to be true because my father was the head yell leader during those games. He became quite a rock collector by the end of high school.

Today, Clark County is the fifth largest—and fastest-growing—school district in the country. We have more

than 350,000 students, who attend 280 schools. And, in the next 10 years, we're expecting to build 88 new schools.

Before my dad left for law school, his lawyer-uncle sat him down for a chat. He told Dad that Las Vegas was not a good place to practice law. My father scratched his head and asked, "Why?" His uncle's response was pretty firm.

"... Because people here only do business with a handshake. You offend them

when you ask for signatures on a deal." Well, my dad did complete law school and, at the time of his death in 19-96, he was the longest-practicing attorney in the state.

Some of his clients included: Frank Sinatra, Kirk Kerkorian, Howard Hughes, and Ben "Bugsy" Siegel.

In the 1940s ... Las Vegas was a town that catered to the weekend visitor.

Back then, about 80 percent of the people who visited southern Nevada came from

southern California. As weekend travelers, they usually left southern California Friday evening so that they could avoid traveling during the heat of the day.

However, the advent of automobile air conditioners changed everything.

When some inventive person came up with the idea to put dry ice in cardboard boxes and attach them to the windows of cars, visitors could drive during the day, too. Of course, it was important to keep the windows open while this system was in use, because that simple cooling contraption produced carbon monoxide. When "real" auto air conditioning was engineered—one that was safer and cooler—people started to drive to Las Vegas during the middle of the week. This helped turn Las Vegas into the 24-hour, seven-day-a-week town that it is today.

And, as the appeal of our community has expanded . . .so has the visitor base. Each year, we welcome about 40 million visitors . . . many of whom still travel here from California!

Las Vegas is a city of many choices for entertainment and respite. Visitors have amazing options for invigorating recreation here. We locals also enjoy working and living in our distinctive community.

I've lived and worked in other places through the years. I completed undergraduate and graduate school in Missouri ... as well as graduate school in Illinois. I attended law school in California. I managed broadcast properties in Nevada, New Mexico and Texas. I served as a congressional press secretary and speech writer in

Washington, D-C.

And ... since 19-88 ... I've owned my own successful communications and publishing companies here in Las Vegas.

It seems that no matter where I've been ... I've always come "home." For me ... and others like me who've lived here ... or visited our community ... Las Vegas has a special way of saying, "You're welcome here. Stay as long as you like. You're among friends."

And, you, my friends . . . each and every one of you . . . bring a smile to my face. Why? Because you've chosen a career path that responds to important public needs. Also, I'm pleased that . . . during our brief time together . . . you're giving me the opportunity to encourage you to enrich your professional and personal lives through healthy choices. ... to move yourself from "surviving" .. to ... "thriving" . . . in your daily lives.

I frequently include the word "healthy" in conversation.. . even with I talk with children. I make a point of talking about healthy choices when I visit all of the schools in senate district each year. Often, however, at the mere mention of this word "healthy," children's faces show me that I've crossed the line. Or, they murmur: "No. "Not healthy." For kids, this word is loaded with such aversions as: "discipline . . . sacrifice . . . and boredom." Fortunately, it doesn't take long for them to know that my definition of healthy includes the qualities of "fit ... fun ... and fabulous." As I explain—and demonstrate—to the kids . . . "You're never too young . . . and . . . never too old . . . to make and enjoy healthy choices."

We regularly hear about healthy choices in terms of selecting and preparing the right foods in the right ways ... and about eating healthy portion sizes. We know the benefits of including invigorating physical activity in our lives. This helps every organ—every cell—of our magnificent bodies to gain strength. We know that healthy bodies help us sustain strong defenses against most chronic diseases. The benefits of healthy choices are countless.

If you'll allow me, I'd like to tell you why I'm so pleased to be here with you today. And, to do this, would it be okay if I share a little bit more of my personal story with you?

When I was in elementary, middle, and senior high schools, I had quite a weight problem . . . even though I was always busy doing something. To most observers, I was quite diverse in my interests. For example, I volunteered each week at a local hospital. I served as a class or student body officer each year. AND, I lettered in both debate and bowling!

Whatever my level of commitment to school successes, however, I hadn't made this same level of commitment to myself. To say my eating habits were questionable would be an understatement. This was a time when families were expected to have desserts after every meal and sugary or high-fat snacks strategically located in

bowls throughout the house. This was the "socially expected" norm, and I enjoyed being an active participant in these practices.

Early in my teen years, though, I succumbed to the pressures of "crash dieting." After all, each week, a popular magazine would headline something that provided a "miracle cure" to us undisciplined eaters.

My first "diet" was jello, cottage cheese, and bland fruit. Ich. During my dieting days, I also climbed the stairs in our house like a cardio queen and swam a mile in our pool each night. As my teen years unfolded, I attempted every "fad diet" that would give me a quick fix. However, I never considered anything that would inspire me to make REAL life changes.

When I went to the University of Missouri, I constantly faced the challenge of losing weight. Every single year, though, I came home from college . . . heavier than when I had started that year.

During the summer preceding my senior year, I devised my very own concoction: the Valerie Wiener "Cantaloupe, Carrots, and Caramel" Diet. I didn't know till later that my calorie book had a misprint. Caramels were not "five" calories each; they were "50" each.

Anyway, that diet produced an interesting outcome. Even though I had stopped eating my limited fare the first month back at school, my skin was so yellow that I looked like I had a liver disease. The carotene in the carrots had done that. And ... in addition to being tinged with a yellow-orange hue for six months ... I also regained all the lost weight. Obviously, the pounds weren't gone. They were just hibernating.

Toward the end of graduate school, I became engaged. My fiancée was so thoughtful and, for our first Christmas, bought me a pant-suit. When I opened the package, I was awe-struck by the beautiful brandy-colored suede suit with its long coat. After our holiday event, I attempted to try on the outfit. It was a size eight. To my chagrin, my waist was many inches beyond the limit allowed by the pants. I was devastated. So, without admitting this sizing error to my fiancée, I exchanged it for a much larger size. On our wedding day in 1972, I was ecstatic that I could squeeze into a size 12 wedding dress. What a glorious achievement that was!

What I didn't understand until many years later is that numbers in a clothing size shouldn't control how we define ourselves. Now, I'm not saying that we should ignore our size. In fact, our clothing size can serve as a great signal for us. For me, when my body size was much larger than I could manage healthily, my clothing size could have served me as a guide. . . as a reference point for making healthier choices.

Unfortunately, I still hadn't learned about healthy choices for healthy living when I decided to attend law school in 19-76. I was 27 at the time, and my weight and fitness level were out of whack. I weighed 140 pounds

... and, for a person under 5 feet tall, that was way too much. And ... I still fixated on a manufacturer's designated clothing size as the definition of who I was.

At the same time, while my commitment to fitness and healthy choices was nil, my grades were also mediocre. No matter how much time I devoted to studying in the law library, I couldn't perform better than C-plus work. For some, this would be fine. However, I had entered law school with a bachelor of journalism degree and two master's degrees. And, for all three of my degree programs, I had earned a place in the top 10 percent of my class. A C-plus just wasn't good enough.

So, in February 19-78—during my second year of law school—I decided to “take control” of my life. At least, that's what I thought I was doing.

I started to attend a slimnastics class at a local junior college. Today, this would be a low-impact aerobics class at a community college. I also started a low-calorie/low-carbohydrate diet. It only took 10 days for me to get where I thought I should be headed. By then, I was exercising at least 2 hours out of every 24. And, I had reduced my daily food intake to 240 calories—with only five grams of carbohydrate.

A typical day would look like this. For starters, I would never eat or drink anything before 8 a.m. or after 4 p.m. For breakfast, I would eat two egg whites.

I'd flavor them with sweetener or spices to change their flavor from day to day. For lunch, I'd have one ounce of white chicken, which was lean protein... a cup of lettuce for my leafy green vegetable . one-sixth of a bell pepper for vitamin C . . . and one inch of carrot for my yellow vegetable. For dinner . . . I'd set aside an hour to consume one-half-ounce of light cheese for dairy and one-half-ounce of soy nuts for protein. I'd take one-half of a soy nut and put a smidgen of cheese on it. Like an open-faced mini-treat. Then, I'd chew each “treat” 20 times before swallowing. As you can easily see . . . I was a “balanced” ... “nutritionally minded” ... starving student.

Not long after I immersed myself in this madness, I became a laxative addict. I consumed 60—yes, five dozen—laxative pills every day for several years. I also downed seven to ten water pills each day. I wanted to guarantee that I had no possible way to gain or retain weight. And ... just to be sure I was taking every possible step in my “control” mode... I added a daily appetite suppressant to prevent myself from thinking that I might be hungry.

Yes, I was determined to “control” my life. Little did I know then... that just the opposite was occurring. It was the anorexia nervosa that was dictating every thought and action I produced. It even penetrated my dreams. My whole life was impacted by this disorder. /

Eventually, I got down to 85 pounds. I had lost 40 percent of my body weight. However, with this loss, I also suffered a severe neuro-muscular injury in my neck and down my right side. Doctors told me that with the weight

loss, I also lost important cushion fat. And it was the absence of this “cushion” that caused me to pinch off the oxygen and blood flow to my right side one night while I was sleeping. Within days, I lost the use of my right arm, and didn't regain its partial use for nearly a year.

I became anti-social. This is hard to believe for those who meet me today. I was constantly afraid of people who might bump into me and exacerbate the pain in my right arm. Avoiding pain AND avoiding the consumption of food—not necessarily in that order—were my top priorities.

Ultimately, I was forced to give up my dream of becoming a lawyer. I had no choice but to leave law school just five weeks before the end of my third year. I decided I needed to allow myself to heal... physically, mentally, and emotionally.

In 19-88... nine years after my departure from law school . . . I had to undergo a challenging spine surgery. Doctors told me that the anorexia nervosa had contributed to my need for this complex procedure. Following that surgery, I had to learn to walk again.

Throughout the months that followed, I realized that I DID have choices. I could feel sorry for myself and slip into depression. Or, I could build new strengths . from the life-changing events that I'd experienced. Wow, am I glad that I used that recovery time to explore the reasons for that particular journey in my life. It became my turning point . a time to start making healthy choices.

It had taken me years to admit that I was self-destructive. I'd been allowing “food” to control my life. As a child and young adult, I found comfort in consuming too much food. As a law student in my 20s and for years beyond that, I had consumed too little food to nourish my body and my mind.

It was through this process ... of learning to survive ... that I learned about how to thrive. Fortunately, for more than 20 years, I've been learning the joys of making healthy choices in my life. I've learned that one of the greatest “assets” each of us has is CHOICE. /At times, we might perceive and believe that we have NO choices about what's happening to us. However, even in the toughest of times, we DO have the ULTIMATE choice about how we decide to react to each circumstances.

I also know that for more than two decades, I've thrived on an approach that emerged from my darkest days. . . a time when everything seemed “too much” for me. I've learned that... when I “simplify and resolve” my issues and challenges . I make the healthiest choices in all aspects of my life.

For example, when my desk is piled high with “stuff,” and I feel overwhelmed, I know that I can tackle just one of these matters at that very moment. Just one.

Even if the second piece in the pile has to wait one minute, I can master one challenge in that “present moment.” Yes, I could fling my arms into the air when I gaze

at the overload on my desk or in my bin. I could demonstrate a sense of being overwhelmed ... or disgusted ... or helpless. However, I choose NOT to quit on myself and my potential to find resolutions. . . one at a time. I give myself permission to succeed.

Ironically, when I choose not to be overwhelmed, it's amazing how many of the matters in the pile resolve themselves. In fact, decisions I make—or outcomes I direct—with the earlier issues or projects often affect how I address the remaining ones. Or, at times, the work in the pile might be resolved without any effort from me, because time alone allows the proper outcomes to unfold.

Basically, I choose HOW to manage what I'm doing . . . and ... how and when I do it. It's all about CHOICE. Again, I simplify . . . and . resolve!

This shift from merely surviving . . . to extraordinary thriving . . . has affected me many other ways, too. It's been a fantastic conversion.

When I momentarily reflect again on my law school experience, I remember my fear. That was the time of my life when doctors had told me that my neck and arm injuries, caused by the anorexia nervosa, would probably debilitate me for the rest of my life. Who then would have imagined that two decades later—when I was 49 years old— I would enter my first Nevada Senior Olympics? Or, that I would compete in both Fitness and Weightlifting? OR . . . that I would earn gold medals in both events?! And why stop there?

Ever seeking opportunities to thrive ... in 2001, I broke the state record for women over 50 in both Fitness and Weightlifting. And, a year later, I broke my own records. My Weightlifting record still stands. However, last year, I established yet another new record for Fitness. In separate one-minute events, I completed 51 sit-ups and 94 push-ups.

Remember ... doctors once told me that I'd probably never have full use of my right arm again. And now I'm proud to issue the challenge: "Anyone for push-ups?"

So... what am I doing now? Whenever possible, I visit with children and senior citizens about my approach to life. Again... "You're never too young . . . and never too old" ... to make healthy life choices... to be fit and happy!!!

As a Nevada State Senator, one of my greatest satisfactions is my work on health issues. I constantly focus on legislation that addresses preventative health care, especially programs and policies that prioritize fitness and wellness.

Therefore, it was such a privilege to chair a legislative sub-committee to study the obesity epidemic in Nevada. Many people teased me because none of the committee members were obese. I responded to that: "You don't have to have cancer to want to cure it!"

In the legislative session that followed our study, I sponsored a bill to establish a Fitness and Wellness Program for the entire state of Nevada. This program is now

state law.

When we think of healthy bodies, we cannot overlook the vital connection between our physical and mental capacities. A healthy body will likely produce a healthier mind. AND, a healthy mind can strengthen the body's physical potential.

A couple of years ago, CNN aired the results of a study completed by Michigan State University. In that study, researchers worked with about 200 sixth graders. The research team declared that children who participated in "vigorous" activities, at least three days a week, benefitted mentally as well as physically. They substantially improved their learning and earned higher grades in their core subjects.

Of course, these same outcomes apply to us adults. Again, healthy bodies help us produce healthy minds. This can inspire us to sail past merely surviving in our lives ... to thriving in all that we think .. say . . . and do.

Yes ... it all comes back to making healthy choices. We know that when we feel better . because of what we're eating and how physically active we are ... we generally like ourselves more. This, in turn, means that we're on the right path to making healthy choices in many aspects of our lives. How we perform at work. How we interact with our families. Who we choose as friends. What activities we prefer. How we spend our free time. And a lot more.

Making healthy choices also enables us to thrive and enrich our abilities and opportunities to lead. These healthy choices allow us to excel at leading others—and ourselves—in our professional and community lives.

You know that leadership is a dynamic process. You experience this daily as you perform your professional tasks and through your professional affiliation with APPA and its Training Institute.

Again, if you'll indulge me. . .

I'd like to share seven—that's an important number here in Las Vegas—real-world qualities that I've admired in the leaders who've influenced me throughout my 44 years in the business and political arenas.

- Leaders can be counted on for their consistent standards values and performance. YOU serve as positive role-models ... with a substantial and ongoing influence with your followers. YOU know how to balance the emotions-of-the-moment to ensure the most positive and equitable outcomes for yourselves and others.
- Leaders use reasonable and dependable judgment. YOU think first, then act. And you motivate others to think and act in particular ways.
- Leaders inspire trust and follow through with their commitments. YOU honor others as you honor yourselves. You also accept and appreciate accountability.
- Leaders demonstrate positive personalities and

epitomize self-confidence. /YOU are comfortable with who you are and the decisions you make.

- Leaders stay active. YOU move outside your safety zones in the pursuit of learning opportunities. That's why you're here. You constantly seek ways to improve ideas and situations for yourselves and others.
- Leaders make themselves available to others. YOU know that accessibility nurtures positive relationships. You also appreciate that accessibility inspires trust, loyalty, and commitment.

“Healthy Choices: From Surviving to Thriving”—  
Valerie Wiener Page 29

- Leaders encourage others to contribute to the leadership process. YOU encourage your followers to take ownership and responsibility for their own decisions and outcomes. You also groom others to replace you. Whether you're moving up . . . moving over . . . or moving out . . . you want the leadership process to be seamless.

By the very fact that you're attending this conference, you've demonstrated that you're leaders in your own field. I respect you and your leadership skills. This is why I believe you can also lead others in the critical movement to

learn—and demonstrate—healthy life choices.

To help maximize your leadership . . . I encourage you to discover or create opportunities for your own new—or re-newed—healthy choices. These choices . . . however large or small . . . can help you do more than survive in the challenging world in which you work and live. You can thrive . . . professionally, physically, mentally, emotionally, and in so many other ways.

Now that I've offered this message of encouragement . . . could I ask one favor of you? Would you please contact me, from time to time, to let me know how you're doing with your new—or renewed—healthy life choices. You can find me online at ValerieWiener.com. You see . . . I consider our time together today to be a “beginning” for us . . . NOT just a brief moment shared.

You, my new friends, are awesome. I appreciate you and the contributions—of past, present, and future—that you're making to your profession and your communities. Thank you so much for letting me share a moment of your day with you. Thank you for including me in this healthy-choices adventure that I invite you to take . . . starting right here . . . right now. For all of this . . . and much more . . . thank you for putting a smile on my face. 🙏

## BRONZE AWARD: SERVICE INDUSTRY CATEGORY

# Joint Hearing of the Senate Finance and House State Government Committees

WRITER: KELLY ALBERTINA / SPEAKER: JOE HETE, CEO OF ABX AIR

Wilmington, Ohio, August 19, 2008

Mr. Chairman and members of the Committee, thank you for taking the time to meet with me and other concerned community members today regarding the recent DHL announcement to replace services provided by ABX Air, ASTAR, and other vendors with UPS. My name is Joe Hete, CEO of ABX Air; I am also the CEO and President of Air Transport Services Group, the parent company of ABX Air.

Your interest in ABX Air and the Air Park sets a precedent for a very delicate and complicated situation that requires action at your level. We greatly appreciate the involvement of all of the government leaders who have taken action, formed committees, called for hearings and raised attention to this issue. Let me assure you I respect your efforts and it is appreciated by all of us here at ABX Air, as well as the Wilmington Community and our surrounding areas. Your veteran wisdom, fresh ideas and steady engagement is paramount to resolving this situation. This hearing is an instrumental step toward developing complete and sound solutions that will benefit the

community and the state of Ohio.

I have prepared information about how this proposed plan by DHL will affect ABX Air and how the loss of 6,000, and potentially as high as 8,000 jobs due to business restructuring, will be detrimental to our community, and potentially hundreds more jobs will be lost nationwide as a result of closing our line stations.

I will walk you through the ABX Air and DHL relationship and its unfortunate possible demise.

I will discuss the impact that it will have on various stakeholders and our surrounding communities and how we have been aggressively pursuing alternatives.

I also will contend why the Air Park is an invaluable asset to this community, the state, and the Nation; and why it needs to remain available and open for commerce.

And finally, I will propose several proactive measures that the Committee can take to help assist in mitigating the economic devastation.

Make no mistake—if DHL contracts with UPS to pro-

vide its airlift and sort its express freight, it will dramatically change our company, community and the state. It is my hope that I will convey to you a sobering sense of the enormous scope of the DHL plan and the future of the Air Park, and the immediate economic implications to crippling long-term devastation.

The magnitude of this announcement has the potential to destroy much of Wilmington and Clinton County's economic base and potentially discourage eventual population return and community rebuilding.

Coupled with the potential job losses from ASTAR, DHL and local vendors, the overall affect will result in a substantial erosion of the tax base.

Based upon 2006 data, the Air Park is the largest employer in a six-county southwestern Ohio area that includes Clinton, Fayette, Highland, Brown, Ross and Adams counties. Air Park employees come from 45 of Ohio's 88 counties.

Keep in mind, this comes to an already economically disadvantaged portion of the state given the recent events of Emery/Menlo closing, which was a result of them being acquired by UPS, and General Motors announcing job reductions in the greater-Dayton area.

And, the Ohio Department of Jobs and Family services announced last week that Ohio's unemployment rate hit a 15-year record high of 7.2 percent.

It is important to emphasize the awful truth that the ramifications of the DHL Announcement are almost certain to get worse before they get better.

The stakes are high.

Early in the new millennium, Airborne Express was one of five (FedEx, UPS, Emery & DHL) major airfreight express choices to anyone shipping a package. It built its reputation not on show, or commercialism, but on personal contact, efficient use of assets and top-notch service. In 2003, DHL announced its intention to purchase the book of business of Airborne Express for a little over \$1 billion. UPS acquired Emery in 2004, closing its operation and laid off its Ohio workforce. Within two years the competition would be down to three.

There were those concerned at the time that the DHL purchase not a good course of action, and it is easy now to look back with the benefit of hindsight and realize those concerns were valid. That aside, DHL had the same focus on customer service that had been a hallmark of Airborne Express. DHL had a strong international market presence, while Airborne had a solid stronghold on the domestic market. The combination of the two companies had a lot of promise for shareholders, customers, employees, the community and the State.

ABX Air was spun off as an independent company when DHL purchased Airborne Express and initiated two commercial agreements with DHL. Both of them allowed ABX Air to continue to do what it had been doing for Airborne Express—fly well-maintained aircraft on time, and

sort packages with attention to detail and customer needs.

In a Herculean effort, ABX Air orchestrated a successful integration in 2005, completely moving the DHL operations from Cincinnati to Wilmington in less than 48 hours—a move that should have saved DHL millions of dollars. To date, the state of Ohio, city of Wilmington, and Clinton County have invested over \$400 million into the Wilmington area in support of the hub. Additionally, the state fast-tracked the state route 73 relocation when DHL agreed to move its operation.

We continued to ask our employees to work harder and smarter, and be open to the new ideas—working to accommodate our customer, DHL.

To this day, we continue to work to make DHL successful in the U.S. market. We have built up an incredible knowledge base on sort processes and fly fuel-efficient and well-maintained fleet of aircraft. We put our need to identify and brand our newly independent ABX Air aside and painted our greatest asset—aircraft—in DHL livery. ABX Air, the community, county, and state, has done everything possible to set DHL up for success.

Since the DHL Announcement on May 28, ABX Air has provided a 99% on-time performance to our number 1 customer—DHL. Despite the obstacles and an increasingly difficult environment, ABX Air employees have and will continue to fulfill our commitment. The reason—because we said we would. These principles of doing what we say we will do are the foundation and values that make ABX Air what it is today.

World-class service does not happen by chance. The performance of this organization is a direct result of more than a quarter of a century of accumulated experience and hard work that has paid dividends over the years and service dividends to DHL over the past five years. Our employees' talents are the driving force for sustaining our Company and DHL's domestic presence.

We have gone back to DHL with revised proposals that we believe are comparable in cost to UPS', unfortunately DHL's parent company, Deutsche Post refused to meet with us. DHL reports it will pay UPS \$1 billion a year to handle its freight. Our current plan comes in at less than \$100 million above that, except our plan offers a fleet of efficient aircraft dedicated solely to the DHL operation and eliminates the transitional and competitive risks. For that \$100 million, DHL maintains more flexibility, reliability and control. Further, it maintains DHL's independent footprint on the market. In recent weeks, we have been informed that DHL cannot entertain other proposals while in negotiations with UPS.

In the interim, our employees have to endure the uncertainty of how they will provide food and shelter for their families. We need to strike a suitable balance and alleviate some of the concerns for the ABX Air employees.

I have a duty to ensure that ABX Air meets its obligations. Since the announcement, executive management

has been holding frequent strategic planning meetings to look for viable alternatives if the agreement between DHL and UPS is signed. Our front line managers are doing the impossible in managing employee morale and expectations during this purgatory of uncertainty, and our employees continue to amaze us with their incredible work ethic and integrity.

It is reported that money rolls over in a community six times. The city of Wilmington and Clinton County will suffer a direct hit.

Recently the Mayor of Wilmington reported that one out of three households in the city has an ABX Air employee. ABX Air total wages per pay period are estimated around \$13.8 million, and nearly \$2.1 million annually are paid in Wilmington City taxes. In the last six months, over \$3.2 million was spent by ABX Air with local businesses.

There will be an adverse impact on the state of Ohio. ABX Air draws its employees from more than half of the counties in the state.

ABX Air Ohio wages are approximately \$8.2 million per pay, or over \$214 million annually, and;

Our employees pay roughly quarter of a million dollars every two weeks in Ohio state income taxes, totaling over \$7.1 million annually and;

Ohio school district taxes over \$27,000 per pay.

ABX Air conducted business with companies in Ohio, including Clinton County, spending \$19.4 million from the first of Oct. in 2007 to the end of March this year.

When you combine the total jobs potentially lost at the Air Park of them:

ABX Air—6,000 to 8,000;

ASTAR—1,050;

DHL—1,000; and

the GM Moraine plant less than 35 miles away—2,000; the numbers are staggering when realized they are confined to one geographic area.

It will be difficult for the state of Ohio to cope with the large numbers of people seeking employment if the total number of jobs lost rises over 12,000.

Maintaining DHL operations at the Air Park is vital. It could keep thousands employed. It keeps DHL operating as an independent delivery choice in the U.S. market. It maintains DHL's flexibility and control allowing it to stand by its customer-focused service standard.

Challenges can be opportunities, and we have taken measures to stabilize continued success. Though we are faced with a devastating blow here at ABX Air we have forged ahead to create a new business model should DHL and UPS sign a contract. In hopes of curtailing the worst effects of the inevitable devastation, we are looking at three options or a combination: Maintenance, Repair and Overhaul (MRO), Aircraft, Crew, Maintenance & Insurance (ACMI), or Leasing Company.

The first option: with access to the hangars and Air Park, ABX Air could operate a maintenance repair orga-

nization. It is already an FAA authorized 145 Repair station. This option would allow ABX Air to employ a number of aircraft maintenance technicians and support personnel and to repair customer aircraft and components. The tooling is here. The technicians have the skills. We have the reputation to bring in customers.

Our second option is to modify a portion of to build our fleet of 767 freighters so we can be a strong stand-alone ACMI carrier. We've already invested over \$1 million in the engineering work required to modify the Passenger Configurations aircraft to Special Freighter configurations and will invest over \$150 million in modifications. The Supplemental Type Certificate proof of concept goes into modification in September. We plan to have a significant portion of the fleet converted by August 2010. We feel we can have a solid future as an ACMI carrier, but frankly this isn't as attractive to us as retaining DHL as a core Customer, because as just an ACMI carrier, we would have a much smaller Employee base. Where operating for DHL keeps thousands of ABX Air People working here, flying as an ACMI carrier retains only hundreds.

In our third option we revert from operating an airline at all. In this business configuration—the least attractive—we would secure a revenue stream by leasing our 767s to other operators. The aircraft are in demand in the marketplace. Leasing aircraft means we get a solid income stream and avoid the risks associated with having to go to the marketplace and place aircraft with Customers—someone else would do that. But in this version, ABX Air pretty much ceases to exist. We'd have less than one hundred Employees supporting the aircraft themselves, although we could still run a Maintenance, Repair and Overhaul (MRO) that would employ considerably more People.

As you can see, we could go from over a 10,000 strong employee base to possibly fewer than 100 due to the loss of DHL and the need to restructure our business. Again—the stakes are high.

The future of the Air Park remains a matter of highest priority to ABX Air.

In 1972, Clinton County Air Force Base closed its doors, eliminating 300 jobs and a loss of \$9 million a year in payroll. The closure of the base was a blow to Clinton, Highland and Fayette counties. Fast-forward to today—DHL is looking to leave. Taking with it more than 6,000 jobs, over \$338 million a year in payroll, and it will have a direct economic affect on six different counties.

When DHL bought Airborne Express in 2003, the purchase included the largest privately owned airport in the U.S. The Air Park is over 2,200 acres, 310 of which are surfaced, has over 50 buildings and facilities on and remote to the airport, houses nearly 8,000 pieces of Ground Support Equipment, navigational aids and lighting for the runways and non-aircraft radio equipment. In 2000, ABX Air spent over \$12 million implementing a state-of-the-art subsurface storm water treatment facility,



the first of its kind at an airport in the U.S. The Air Park also serves as our home to the largest Boeing 767-200 fleet in the world.

In conclusion, Mr. Chairman, I would like to emphasize that providing assistance during this crisis is crucial to southwestern Ohio with a direct correlation to the state and the Nation.

We have taken proactive steps to secure continued success. We are evaluating alternative options to maximize ABX Air's reputation in the industry and stabilize as many jobs as we can. There are other steps that ABX Air respectfully suggests the government take to help protect our company and community, other businesses, and the State of Ohio, against severe repercussions:

First, we need support from the government entities to investigate possible violations of anti-trust issues from the impending DHL and UPS agreement. There is a possibility of problems rising at various stages from when the contract is signed to the final transition.

Second, we need access to the Air Park. This is a vital element to our new business structure. I have explained how ABX Air is looking at alternatives if DHL and UPS reach an agreement. Achieving security regarding the future of the Air Park is an essential prerequisite that is missing up to this point for mounting an effective plan to preserve ABX Air's current state. Those proposed business models are contingent upon access to the Air Park and not restricting its use.

Finally, and most important, we need your continued due diligence to this matter. As I mentioned before, all of us here at ABX Air are very grateful for your support. I encourage you to continue your pursuit in a collective non-partisan effort to mitigate the impending economic devastation.

The announcement has sent shockwaves but its repercussions are long lasting. The legacy of more than 25 years of hard work and innovation will not fill the void of losing 6,000, or possibly up to 8,000 jobs.

When I came to this community 28 years ago, we

were a small operation with approximately 300 employees. Over the years, we have built ABX Air to be an industry leader with over 10,000 employees. I promise, we will rebuild.

The magnitude of DHL's plan will transform a community that once flourished around ABX Air, into a quiet, rundown, decaying town. Yes, this community has closed this base before and survived. But today the stakes are much higher and the losses will be astronomical, claiming its livelihood.

We have endured much over the years, yet we have always persevered. Now, we need your help. ABX Air pledges to remain an industry leader in aviation innovation. Our employees, the industry, and consumers will continue to receive stellar service despite the growing challenges.

We are in an accelerating race against time, and both the Government and ABX Air need to continuously strive to save jobs. Collectively, we must start now. We are committed to an aggressive response to the needs of the employees of ABX Air, and we are committed to supporting the difficult process of rebuilding. Sadly, it is possible to conceive chilling scenarios that could see an astounding 6,000 families or more without employment in an already depressed economy.

The road that lies ahead to reverse the effects of the DHL plan will be long, tedious, and plagued with uncertainty.

Mr. Chairman, Committee Members, and Ladies and Gentlemen, I can assure you that you have the full support of ABX Air. We will continue to do our jobs. We are weary, but will be persistent. We are counting on you.

Again, I would like to thank you for the opportunity to speak today. I hope that I have been able to clarify without a doubt the importance of these jobs to this community and to the state, and answer key questions that have been raised in recent weeks. I look forward to what the Committee can do to help ABX Air on this delicate issue and offer my services to participate in any future hearings where I can further our cause.

Thank you. 🙏

## BRONZE AWARD: ECONOMICS CATEGORY

# Quo Vadis Redux (Part II)

WRITER AND SPEAKER: DANIEL ROSE

New York, New York, August 19, 2008

The earlier part of this discussion, delivered at the inaugural national conference of the Yale Alumni Real Estate Association, dealt with the factors leading up to our current economic turmoil. Foremost among them were the Federal Reserve's policy of keeping interest rates too low for too long; the debased home mortgage lending standards

introduced by President Clinton's housing officials and maintained by those of George W. Bush; and the system-wide failure to conduct proper risk assessment.

Events in the months since have borne out the thesis that the bursting of the U.S. real estate bubble would result in severe pressures on capital markets which would,

in turn, severely weaken financial institutions, which would then affect the “real,” day-to-day U.S. economy of employment, consumption, savings, home foreclosures, bankruptcies, etc. Left unchecked, these mutually-reinforcing factors in due course would have serious international repercussions.

Concern was expressed at: a) the high leverage of financial institutions in a period of declining asset value; b) the large number of AAA-rated loan portfolios consisting of mortgages to borrowers whose incomes were insufficient to cover debt service; c) the widespread confusion between a “liquidity crisis” and an emerging “solvency crisis”; d) the fear that a financially-exhausted public would be unable to maintain appropriate levels of consumption; and, e) the prospect that inflationary pressures (because of relentlessly increasing international prices of food, fuel and commodities) would preclude the Federal Reserve from applying traditional “cheap money” actions to stimulate the economy.

Real economic pain was clearly on the horizon, and no governmental quick fix could prevent the turmoil from lasting much longer than Ben Bernanke’s forecast of an improving 2008 second half and a recovery in 2009. Larry Summers puts it succinctly: “There is a growing consensus that the West is facing the most serious financial crisis since the Second World War.”

Is the “end of the world” coming? No. As Adam Smith noted, “A nation has a lot of ruin in it”; an economy can take a lot of pounding and its citizens can absorb a lot of pain yet still function.

The U.S. economy has prodigious strengths, and our institutions and people are remarkably resilient. Our housing prices nationwide have already dropped substantially since the high—some 15%—although they still have far to go (perhaps another 10%) on the road back to sustainable values and market equilibrium. Of the estimated five trillion dollars of phony “value” created by the recent bubble, some \$2 trillion has already evaporated and perhaps another trillion or so will disappear.

The bull market in stocks that began in 1983, when the Dow Jones was at 1,163 continued essentially until October of 2007, when the Dow Jones hit 14,198. No one would claim such an increase reflected only smoke and mirrors, or that, in the inevitable decline, the gains would all be given back.

Our strengths are a given; but our collective failure to anticipate and to forestall the unfolding economic trauma will cause anguish to many.

How deep and long-lasting our problems are will depend on our reaction to them. Japan in the 1990’s refused to acknowledge or to defuse its difficulties (also triggered by a real estate crash) and they lasted for several years. U.S. officials were slow to understand what was happening; but when, in March of 2008, Bear Stearns notified the Federal Reserve on a Friday of its impend-

ing bankruptcy, our Fed and Treasury leaders worked throughout the weekend to arrange a buy-out of Bear Stearns by JPMorganChase. The “weekend improvisation” involved the Fed intervening with public money for a non-bank financial institution for the first time since the Great Depression. By definition, when an action is unprecedented, it establishes a new precedent; and “moral hazard” is a legitimate fear. For example: Alan Greenspan has recently said, “There is no credible argument for bailing out Bear Stearns and not government-sponsored enterprises like Fannie Mae and Freddie Mac.”

Fed Chairman Bernanke, who told a banking conference in June 2007 in South Africa that “the troubles in the subprime sector seem unlikely to seriously spill over to the broader economy” moved nine months later to forestall the failure of Bear Stearns which would have created an international financial catastrophe. Bernanke remembered the failure of Austria’s bank Creditanstalt and its role in the Great Depression.

Today, policy wonks quibble over whether we are in a “recession” in a manner that recalls Bill Clinton’s comment, “It depends on what your definition of the word “is” is.”

U.S. consumer confidence is at its lowest level in 30 years; an estimated 10 million U.S. families have negative equity in their homes. Home foreclosures, auto loan and credit card defaults and bank failures are at frightening levels; and the Federal Deposit Insurance Corp. is at its most over-extended position since its creation in 1933. Sophisticated observers are convinced that after the November 2008 elections, the National Bureau of Economic Research will confirm the recession that everyone else sees clearly already.

Will the recovery pattern be in the shape of a U, an L or a W? Only a few Panglossians have hope of a quick V-shaped recovery. Nobel laureate Joseph Stiglitz recently said, “There is an increasing consensus that the downturn will be prolonged and widespread.”

What is to be done?

The answers involve six separate areas: a) short term governmental actions; b) medium to long term governmental actions; c) financial institution regulation; d) rating agency regulation; e) governmental housing policy; and f) bursting bubbles.

#### **A) Short term governmental response.**

A U.S. public with little personal savings, seriously declining home values, heavy credit card and auto loan debt, and increasing fear of unemployment, is unlikely to spend cash grants from the government. That is why the \$168 billion government stimulus program had so little impact, with only 10% to 20% of the rebate cash being spent, the rest going into savings or debt reduction.

Had that same money been allocated to states and municipalities for immediate expenditure on mothballed

infrastructure projects, not only would the economic stimulus impact have been greater, but instead of more garden furniture, cosmetics and sports equipment, we would have had improved roads, bridges, water levees, airports and so forth to show for the money.

Yes, we need “Son of Stimulus,” but for public capital projects rather than personal consumption. The U.S. Department of Transportation estimates that every \$1 billion in highway investment creates 47,500 new jobs and generates more than \$2 billion in economic activity. Plus, of course, a safer, happier country.

We should spend many billions on such projects.

### **B) Medium and long term government response.**

The U.S. economy (public and private) has focused on borrowing and consumption rather than on savings, investment and production. This is not sustainable, and the sooner we face that, the less painful will be the transition.

To generate major economic activity in the medium and long term, we must turn to “infrastructure” and “alternative energy sources.” This means massive governmental expenditures to maintain, restore, improve and create the public physical facilities that underpin our national well-being. Highways, bridges, dams, airports, harbors, water levees, mass transit programs, new energy facilities of various kinds—public investment in all of them is needed to stimulate the economy and to improve our quality of life.

Across the country, there are some 600,000 bridges of which 25% are in below acceptable state, according to the Federal Highway Administration. The American Society of Civil Engineers has put price tags on the necessary repair bills (they are staggering) but points out that America today invests only 2.4% of our GNP in infrastructure compared with Europe’s 5% and China’s 9%.

Given our clogged ports (such as Los Angeles or New York), our growing airline flight delays that cost at least \$15 billion each year in lost productivity, and the hours wasted in rush hour commuting, public support for infrastructure programs should be enthusiastic. Congestion on roads costs \$78 billion annually, in the form of 4.2 billion lost hours and 2.9 billion gallons of wasted gasoline, according to the Texas Transportation Institute.

Historically, we have clear precedent, from Thomas Jefferson’s support for canals and roads in 1808 and the national railroad mania in the mid-19<sup>th</sup> century to Dwight Eisenhower’s Highway Act of 1956, which created our interstate system. Today, the rest of the advanced world is building high speed trains, but our only version runs between Boston and Washington on an outdated and painfully inadequate track.

The case for investment in alternate energy sources needs little comment. The U.S. consumes one quarter of the world’s oil while possessing less than 3% of its oil reserves; we spend \$700 to \$800 billion a year importing

the difference. Cutting consumption and producing alternative sources of energy like solar, wind, hydroelectricity and biofuels are no longer optional but mandatory actions.

77% of France’s electricity today comes from nuclear power, and the United States must rethink the nuclear question.

Infrastructure spending and alternative energy spending can supplement consumer spending in the short to medium term as engines for economic growth; in the long term, our helping to meet the consumer needs of the growing Chinese and Indian middle classes will keep our economic engines running.

In the U.S., personal consumption constitutes 70% of GNP; in China it is below 40%, but in time it will certainly rise. That will help us. When the Chinese buy more cosmetics, for example, they will probably buy more American brands like Estee Lauder.

### **C) Financial Institution Regulation**

The U.S. competitive, free market financial and economic system has demonstrated its dynamism, its creativity and its flexibility. To continue to function well, however, it requires public support and participation that are only gained by embracing more vigorously than ever the concepts of disclosure, transparency, accountability, and fairness.

The investing public has little idea of its exposure to risk because of institutional “off balance sheet” transactions and the degree of leverage prevalent in the financial community. The public has little comprehension of the risk exposures of the complex derivative instruments it owns, directly or indirectly; and it understands little about the workings of the popular hedge funds.

Our governmental officials have been remiss in permitting such opaqueness throughout our financial system. Fresh regulations are overdue in balance sheet and risk disclosure, required liquidity and capital-to-loan ratios; we need more effective disclosure rules about self-dealing and short-selling.

Governmental regulation of non-banking institutions is now “front-burner,” since the “too big to fail” premise implies possible governmental bail-outs; bailout responsibilities should include appropriate regulation.

An alternative, of course, is not to let institutions get “too big”; today, giant entities like UBS and Citigroup are considering “restructuring.”

Creative destruction, the great insight of Joseph Schumpeter, should not be forgotten. Recessions—and the financial failures and bankruptcies that follow—are part of the mechanics by which our free market system cleanses and revives itself.

Direct governmental intervention should be: a) rare, and only used where the broad public interest is the overriding consideration; b) include financial penalties and loss for the shareholders and company officers; and c) require appro-

appropriate “pay back” provisions for the return of public funds on the model of the Resolution Trust Corp. of the 1990’s.

Fannie Mae and Freddie Mac shareholders and officers, who have made fortunes over the years, should not benefit from government bail-outs, and public policy should be firmly against “private benefit, public loss.”

One important problem to be faced is the disparity in accounting standards and disclosure and trading practices around the world. Financial globalization will demand accounting standardization, and appropriate solutions are long overdue.

#### **D) Rating agency regulation.**

The AAA bond ratings given to toxic subprime mortgage packages should excite greater outrage.

Only after unwary lenders suffered severe losses from reliance on defective ratings did the Security and Exchange Commission take notice. In July 2008, the SEC released a scathing 37-page report charging that major rating firms, including Fitch, Moody’s and Standard and Poor, flouted conflict-of-interest guidelines and considered their own profits when rating securities at levels far higher than true risk exposure justified.

“Who shall guard the guardians?” asked the ancient Romans; and there is no easy answer.

Individuals of character and professional expertise (Paul Volcker and Gerald Corrigan come to mind) should be impaneled to present recommendations for change that would not stifle the financial industry, but would protect the public.

#### **E) Government housing policies.**

The false belief that housing values must invariably rise underlay 100% home mortgages to borrowers whose income was insufficient to cover debt service.

With the encouragement of the Clinton and G.W. Bush administrations, the percentage of U.S. families owning homes rose from the traditional 62% to 64% to nearly 70%; when the housing bubble burst, some 10,000,000 families found the equity value of their homes was below zero. The majority of those homes had mortgages written in 2005, 2006 or 2007, with little or no down payment required, with unverified borrowers’ income and with “teaser,” below-market interest rates that were not sustainable.

The heartbreaking story has been spelled out clearly by Wayne Barrett, in the New York weekly *The Village Voice* (August 8, 2008). Under H.U.D.’s prodding, Fannie Mae went from \$1.2 billion in subprime mortgages and security purchases in 2000 to \$9.2 billion in 2001 and to \$15 billion in 2002. In 2003 alone, Freddie Mac and Fannie Mae bought \$81 billion in subprime mortgages. Between 2004 and 2006, these two government-sponsored enterprises (meaning your money at risk) bought \$434 billion in securities backed by subprime loans.

Now that the chickens have come home to roost, we must realize that not everyone can afford to own a home and that some should rent instead.

It is instructive to note that Canada has had no subprime debacle that threatened its economy. Canada requires substantial down payments from mortgage borrowers and solid indications that borrowers can pay debt service.

Denmark, an example cited by George Soros, requires that mortgages remain on the balance sheets of the issuers, eliminating the moral hazard of selling off the risks to others. The moral, says Soros, is that when your own money is at risk, you tend to be more careful.

#### **F) Bursting bubbles.**

Thirty-five years ago an economist named Hyman Minsky (who believed that free markets are inherently unstable and crisis prone) described five stages of a credit cycle: displacement, boom, euphoria, profit-taking and panic.

Minsky, his disciple Charles Kindleberger (author of *Manias, Panics and Crashes: A History of Financial Crises*) and Kindleberger’s disciple, Yale Professor Robert J. Shiller (author of *Irrational Exuberance*) all understand the role of emotion and psychology in economic decision-making, unlike Conventional Wisdom, which holds that economic decision-making is rational, markets are efficient, and the Tooth Fairy arrives on schedule.

Those wanting to understand how our system operates should be familiar with concepts like “discounted future value,” “price elasticity,” “bond yield curves” and the like. But they should also be familiar with the works of Minsky, Kindleberger, Schiller and their predecessor, Charles Mackay, author of the classic *Extraordinary Popular Delusions and the Madness of Crowds*.

#### **► Envoi**

The American model of a competitive, free-market, loosely-regulated economy has demonstrated to the world how well it can stimulate and harness the energy and creativity of a dynamic public. The tightly-controlled, rigidly-planned economies of Joseph Stalin, Mao Tse-Tung and Fidel Castro pale by comparison and are now, in Leon Trotsky’s phrase, “in the dustbin of history.”

An exploding Chinese economy, however, indicates that in the 21<sup>st</sup> century we may see competition between “democratic capitalism” in the West and “autocratic capitalism” in the East.

Over time, each of these pragmatic societies may take on some of the trappings of the other, with more individualism, privacy and free choice in the East and more large scale governmental intervention in the West.

How will the game play out? As Chou En Lai said in the 1960’s of the impact of the French Revolution, “It’s too soon to tell.” 🍷

## BRONZE AWARD: TRANSPORTATION CATEGORY

## Standing Firm: Lessons in Leadership

WRITER: LUKE BOGGS / SPEAKER: TAD HUTCHESON, VP OF MARKETING AND SALES, AIRTRAN AIRWAYS

Bluffton, Ohio, October 30, 2007

Good morning.

Thank you so much for your warm welcome.

I appreciate your invitation and the wonderful hospitality that you've shown me.

It is always a tremendous pleasure for me to visit this part of the country, to come to Ohio and experience the real heartland of our nation.

I am deeply honored to come here today to speak with the students, faculty, staff and other members of the Bluffton community.

This is my first visit to Bluffton University, but it feels like a homecoming nonetheless.

Why?

Because in 1989 I graduated from King College, in Bristol, Tennessee.

Students, I realize that may sound like a long time ago, but, trust me, the next two decades of your life are going to go by a lot faster than the first two have.

King College, my alma mater, is not unlike Bluffton in many respects.

It's a comprehensive Christian college...a small liberal arts school dedicated to building lives for achievement and cultural transformation.

We had some 450 students at the time I graduated.

Today, the enrollment has nearly tripled, to just under 1,300 students.

Pretty significant growth, but I don't think Ohio State or the University of Florida will be seeing either King or Bluffton in the rear-view mirror anytime soon.

And that's OK.

Because that's not what we're about.

Fifty-four years ago today, on October 30, 1953, General George C. Marshall won the Nobel Peace Prize.

The award recognized his leadership as secretary of state in helping design and win approval of a program to rebuild Europe after World War II.

Looking back on the Marshall Plan today, it is easy to see it as a common-sense initiative destined to succeed.

But that's not the way things looked 60 years ago, when the Marshall Plan was proposed.

The United States, after all, had not historically been active in European affairs.

Going back to our founding and to Washington's farewell warning against—quote—"entangling alliances," the United States had traditionally viewed most overseas troubles as none of our business.

Our country, of course, had eventually been drawn

into the First World War.

Yet, during the interwar period, we had resumed our stance of relative isolationism.

Even as the dark clouds of World War II were gathering, many Americans were eager to stay out of what was still regarded as a foreign war.

Only after a direct attack on the United States—the Japanese bombing of Pearl Harbor—did our nation enter the conflict.

After the war, it was not a forgone conclusion that we would help rebuild Europe, including western Germany.

A generation earlier, after all, the Allies of World War I had demanded massive war reparations of the defeated Germans.

It was hardly a brilliant move, the demand for reparations, and it fed resentment and political extremism in Germany, helping set the stage for Hitler.

This time, after World War II, there were people of vision and character, people who saw the larger picture, who understood that punishing defeated enemies would only create more problems.

President Truman and then-Secretary of State Marshall were among those who understood.

And, over the course of four years, the Marshall Plan would provide more than \$13 billion in economic and recovery assistance to Western Europe—a sum equal to more than \$100 billion today.

The Marshall Plan wasn't entirely selfless, of course.

Truman, Marshall and others wanted the nations we helped to remain free and democratic, and they knew that extended economic hardship would have made autocratic and even Communist regimes more attractive.

Even so, the Marshall Plan remains a breathtaking and breakthrough example of national leadership on the part of the United States.

It told the world, in no uncertain terms, that America was invested in the future of other nations for the long haul.

The Marshall Plan also represented a triumph of personal leadership for both Truman and Marshall, who was so very deserving of the Nobel Peace Prize awarded to him on this date 54 years ago.

Leadership.

We all see leadership in action every day.

And leadership of varying degrees of quality.

Excellent leadership.

Good leadership.

Not-so-good leadership.

Abysmal leadership.

I've been a student of leadership for many years, at least as far back as high school.

I graduated from the McCallie School in Chattanooga...a college preparatory school for boys that has produced more than a few leaders over the years.

Men like CNN and TBS founder Ted Turner...

Former Senate Majority Leader and White House Chief of Staff Howard Baker...

And former South Carolina Governor Carroll Campbell.

McCallie has also produced a Pulitzer Prize-winning editor...a president of MIT...and several members of Congress.

For more than a century now, McCallie students have been molded into leaders.

Not so much by direct instruction, but through the school's fundamental values.

Ask any McCallie man out there, and he can tell you the three concepts we were taught to follow.

Honor.

Truth.

Duty.

Three small words with big implications.

And those three words are everywhere at McCallie.

On the academic building.

On the sports building.

On notebooks and folders and pencils and paper pads and other supplies.

Honor.

Truth.

Duty.

We were immersed in those terms, as students.

And not just the mere words, either, but the meaning and value and importance of them.

In some corners of modern life, those terms are no longer fashionable.

That's not the case at McCallie.

Or here at Bluffton.

But honor, truth and duty are under siege in other places.

To some, honor seems like a dated term, a concept that went out in the middle of the last century, if not before.

But having integrity in your beliefs and actions, following through and acting in a way worthy of emulation and respect...that kind of honor will never grow outdated.

To some people today, truth is an abstraction, a fiction, an empty concept whose time has passed for all but the most simple-minded individuals.

But truth matters and endures, even now.

Meanwhile, the concept of duty is, if anything, even less well understood by some modern sophisticates.

And yet fulfilling our obligations, answering the call to service, giving back to a community that has given us so much, that's still the right thing to do.

And it always will be.

As I said, I was an active student of leadership at McCallie and later at King College, reading about the lives and stories of leaders, studying them, drawing out their lessons and taking them to heart.

In life and in business, I've seen many styles of leadership...

And people leading for all different reasons.

Some lead because they have money.

Others because they have information...or power...or special influence.

Some are merely leaders of circumstance, thrust into leadership roles by apparent happenstance.

And many of those, as you'd expect, are deeply flawed as leaders.

Acting for the wrong reasons...

Making unwise choices...

And squandering opportunities.

We've all seen plenty of failed leaders.

Some in our everyday lives...and some in the newspapers.

Like the guys who cooked the books at WorldCom.

Or the hucksters who bilked people out of billions at Enron.

Recently, we all witnessed the spectacular fall of Michael Vick.

The celebrated quarterback of the Atlanta Falcons and an NFL superstar, Michael Vick failed to lead when he needed it most, when his friends needed it most.

Federal prosecutors are now confident that he bankrolled a sprawling dog-fighting enterprise... and that has cost him dearly, and rightly so.

Today, I'm not particularly proud to admit it, but I worked with Michael Vick.

Not all of the time, of course, but I hired him as a celebrity spokesman for AirTran Airways.

He was in our print ads, our commercials, our billboards—until we declined to renew his contract this past spring.

It was before the dog-fighting news broke, but he had already raised some warning flags for the airline.

Including the incident in which he attempted to take a water bottle with a secret compartment through a security checkpoint in a Florida airport.

So, all that to say, I worked with him and observed him up close on a number of occasions.

Anything's possible, of course, and I have no special knowledge of the case, but my theory is that Michael himself didn't initiate getting into the dog-fighting business.

Instead, I believe he surrounded himself with the wrong people...and failed to stand up and stop them and say no when he should have, when he could have.

And now it is too late.

What is it, then about real leaders?

What is it that they have, that we should aspire to?

What makes real leaders stand out in a crowd?

Well, you could no doubt come up with your own ideas on the subject.

Some of them would likely overlap with mine—and some of them wouldn't.

But I encourage you to do that, to sit down sometime soon and write down your own thoughts about leadership and what it means and what it entails.

For me, I would say the foundation of leadership must be honesty and integrity.

These are the bedrock basics for authentic leadership.

Being honest with others and yourself...

Having integrity in the way what you say matches up with what you do...

and what you do matches up with who you are.

Think for a moment about the greatest presidents in American history.

About the father of our country and the man who held it together, giving our nation a new birth of freedom.

George Washington and Abraham Lincoln.

I don't believe it is mere coincidence that both Washington and Lincoln were known by their contemporaries, first and foremost, for their honesty.

Because that is the starting point, the without-which-not of leadership.

In my line of work, honesty is critical.

At AirTran, I oversee, among other things, our advertising and marketing and public relations.

Basic honesty is important even in advertising and marketing.

In order to be effective, you must have credibility in making claims about the features and benefits of a product or service.

Coke, for example, could be promoted effectively in advertising years ago as—quote—“the that refreshes” because that was a fundamentally honest statement, one that matched up with consumers' past experiences.

Even so, people understand that some assertions in marketing and advertising are aspirational.

A local pest control firm might claim to offer the—quote—“best service in the world” without threatening its credibility...if it merely delivered excellent service.

But it wouldn't have to be verified as the best in the world.

In public relations, there is an even more acute need for honesty.

When you are dealing with members of the press, all you have is your honesty, your integrity.

The reporters, they control what is ultimately put before the public.

And, if you are going to be a trusted source, one that effectively informs people about your company through the media, you have to be honest.

Because if you're not honest, there is no reason for anyone to listen to you.

And, if the media can't trust you in public relations, you might as well go find another line of work.

Because you're finished.

Of course, there are plenty of people in public relations who have gone the route of shading the truth and outright deception.

There are temptations.

And pressures.

And others may urge you to compromise.

But, in public relations, as in life generally, it ultimately pays to stand strong...and stay honest.

For a leader, honesty is fundamental because those who would follow must first believe that what you are saying is true and accurate.

Which is why leaders, in free societies, have always sought to burnish their reputation as honest.

And why their political opponents have always sought to portray them as phonies and liars.

For successful leaders, another starting point is optimism.

That doesn't mean that such leaders don't see problems or things that can and should be fixed.

But an optimistic outlook is one that says, in the end, that we can build a better tomorrow, that things can improve, that disaster can be averted.

I think that optimism is one of the fundamental reasons for the success of Ronald Reagan.

In a time of tremendous national doubt, when our economy was struggling at home and we faced growing troubles abroad, Reagan came on the scene and reassured people.

He knew the economy was in trouble...and he was deeply concerned about the threat to peace and freedom represented by the Soviet Union.

But Reagan had an infectious optimism.

He knew things could and would get better.

He took action to help the economy recover.

And he pursued a strategy that ultimately swept Soviet communism into what he called “the dustbin of history.”

Reagan had a favorite joke about optimism.

As he described it, a family with a young boy was concerned that the youngster's outlook on life was too sunny, too optimistic.

So they took him to a psychiatrist.

Testing the boy, the doctor led him into a room piled high with manure.

Instead of wrinkling his nose or crying, the kid smiled and yelped with excitement before happily climbing to the top of the pile and beginning to dig.

The doctor, who had never seen such a thing, asked the young man what he was doing.

“Well,” the boy said, “with all this manure, there must be a pony in here somewhere.”

Another key for successful leaders is doing the right

thing, even when it isn't popular.

Martin Luther King...and Rosa Parks...and other icons of the Civil Rights movement weren't always celebrated as universally as they are today.

In his own time, Dr. King was not the most popular person in America.

He called on the United States to live up to the better angels of our nature, to realize, ever more fully, the ideals of our founding.

In a sense, he put a mirror up in front of our country, and he pointed out some of our shortcomings.

Many Americans at the time were uncomfortable with such national introspection.

They had no real trouble with the status quo. And they saw Dr. King as a rabble-rouser and mischief-maker.

More radical activists, meanwhile, were also unhappy with Dr. King.

They didn't like his approach.

They didn't think he went far enough.

And some were impatient with his commitment to nonviolence.

But Dr. King never wavered.

He stuck to his convictions.

He kept on speaking out.

And he continued to work for social change.

He did the right thing, even when it wasn't always popular, and he is now seen as one of the greatest leaders of the 20<sup>th</sup> century.

And not just in America but around the world.

An interesting story about Dr. King.

When he won the Nobel Peace Prize in 1964, a number of people in the Atlanta community—black and white—began talking about a special dinner to honor Dr. King's achievement.

Perhaps most prominent among the early promoters of the dinner was Ralph McGill, the longtime, Pulitzer Prize-winning publisher of the Atlanta Constitution and, interestingly enough, an alumnus of the McCallie School. (He was just 68 years ahead of me!)

Ku Klux Klansmen and segregationists threatened to protest the dinner...and some prominent merchants began to get nervous, worried they might lose business if they attended.

Just when McGill thought he might have to call off the event, two other leaders stepped up to bring the city's elite together and make the dinner happen: Mayor Ivan Allen, Jr., and his legendary predecessor as mayor, William Hartsfield.

And if that name sounds familiar, it's probably because Atlanta's Hartsfield-Jackson airport is named for Mayor Hartsfield and a more recent mayor, Maynard Jackson.

And what happened? Well, the two mayors—Allen and Hartsfield—worked the phones, uniting 750 whites and about the same number of blacks for a jam-packed dinner in a hotel ballroom.

Dr. King was moved to tears by the tribute from Mayor Allen, who said—quote:

“Through the years, as history is wrought, some men are destined to be leaders of humanity and to shape the future course of the world. Dr. King is such a man.”

Of course, many people in positions of authority don't have the courage of their own convictions, as Dr. King did.

Instead of getting out in front and leading from personal conviction, some politicians, for example, just try to pander to what they believe their constituents want to hear.

They look at stacks of polls...

They conduct endless focus groups...

and they listen to legions of consultants.

Essentially, they put a moistened finger in the air and see which way the wind is blowing.

That's not leading, that's following.

Turning to another leadership trait...

The most successful leaders surround themselves with good people, often people who are leaders in their own right.

Rudy Giuliani leveraged this leadership lesson as mayor of New York City, and today he never hesitates to credit the people who worked on his team with the success he achieved.

Strip away the politics, and just about anyone who knows anything about New York will tell you that Rudy Giuliani was a mayor who made a difference.

It may sound like hyperbole today, but there were plenty of people who thought that New York, in the pre-Giuliani days, was simply too big, too diverse, too extreme, too crime-ridden to be governed effectively.

But Giuliani came in, rolled up his sleeves, and proved the cynics and the doubters and the pessimists wrong.

He and his team turned the city around...making it livable again and multiplying its popularity with tourists.

And, of course, all the world saw the strength and courage and confidence that the mayor demonstrated in the wake of the September 11 attacks.

Even in New York's darkest hour, Giuliani's leadership made a difference...and he credits the people around him.

Great leaders also find a way to put the needs of others first and act as servant leaders to those around them in business, in the home, wherever.

Rather than merely demanding that others follow, servant leadership is about making a conscious decision to lead in order to serve, about extending authority and power to others, not trying to hoard it.

The idea of servant leadership was formalized with the publication of a book by Robert Greenleaf in 1970, but it is a far older concept.

There were practitioners of this idea in ancient India...and we have no greater example of this approach



than Jesus Christ.

In the Gospel of Mark, Chapter 10, Jesus explained what it means to lead through service.

He said, “Whoever wants to become great among you must be your servant, and whoever wants to be first must be slave of all. For even the Son of Man did not come to be served, but to serve, and to give his life as a ransom for many.”

And how successful was this way of doing things?

Today, of course, even people who don't follow His teachings would acknowledge that Jesus has had a profound impact in the lives of millions and millions of people.

In your career here at Bluffton, you are being prepared for leadership.

As part of a Christian liberal arts college, you are being steeped in lasting values...and your character is being shaped for what lies ahead.

Certainly, if your experience here at Bluffton is anything like my time at King College, you will be well-served by what you do and what you learn here.

Like the man who built his house upon the rock, you are building your life and your future on an immovable foundation.

And when the winds howl and the storms come, you will not buckle, you will not collapse.

Rather, you will stand strong and firm...just as you did early this year.

Bluffton is a special institution, as you are well aware.

And, as I've explained, I feel a kinship with you because of my own college experience.

But I would be remiss today if I didn't talk briefly about the tragedy that unexpectedly brought us together in a more immediate and visceral way back on March 2 of this year.

It was a day that I, like you, will never forget.

Mine is a different perspective, of course, one of someone who didn't know those who lost their lives that morning...but who was nonetheless impacted by the lives of your ballplayers and students and administrators.

On March 2, I awoke to news of the tragedy on the radio.

I live in a condominium in downtown Atlanta, near Centennial Olympic Park and the broadcast headquarters of CNN.

As I was getting ready for work, I heard the terrible news, along with people all across America and around the world.

Only, for those of us in Atlanta, this wasn't some far-off distant tragedy.

It was only a half-dozen miles from my building.

I have a regular breakfast on Friday mornings.

On my way, I called our reservations director, Fred Cannon...and we began talking.

AirTran Airways is based in Orlando, but our hub and many of our employees are in Atlanta.

Very quickly, we knew that we had to help.

We had to do what we could, in the midst of this wrenching tragedy, for the baseball team members and coaches and the families of all involved.

And it wasn't just us.

The whole city of Atlanta, that great, big sprawling, diverse expanse of 5 million people, mourned with you for those you lost...and prayed with you for those who survived.

Many Atlantans took action to help as best they could.

Regular motorists stopped and got out to help at the crash site.

Police and rescue teams arrived on the scene quickly, employing every ounce of their skills.

The doctors and nurses at some of the city's finest hospitals sprung into action.

Pastors and others came to pray and offer comfort.

Those of us at AirTran, we move people all the time, so it was only natural for us to think about helping the families and Bluffton administrators get down to Atlanta quickly.

We started offering free flights, trying to give away seats on existing flights from Ohio to Atlanta.

We quickly realized, however, that we wouldn't be able to accommodate many people that way.

It was the Friday before Spring Break for much of the country, and our planes were almost all full.

About 20 people or so were able to come down from various cities...Dayton, Akron-Canton, Detroit.

Not places right around the corner, but we don't have scheduled service into Toledo.

We started looking for a charter aircraft, a plane we could use just for this purpose, and we found one coming into maintenance in the afternoon.

Our folks at Hartsfield-Jackson, they got the plane ready to go and turned it up to Toledo.

We got in touch with the administration here, with President Harder's office, and let your leaders know that we were sending a plane.

We told them to please fill up the plane with passengers...and they did.

The plane wasn't on the ground very long.

We got everyone on board and turned back around, headed for Atlanta.

By early evening on Friday, the plane had arrived.

Across the city, others were doing the same thing, just trying to figure out how they could help.

And that includes our biggest competitor out of our Atlanta hub, Delta Air Lines.

Delta was also doing what they could to help.

Just as the hospitals were doing all they could for the injured, others stepped up to help the families.

Hotels and bus companies, just doing what they do every day, without thinking, just trying to help. Somehow.

For me, the most poignant moment came Sunday

afternoon, as the return charter to Toledo pushed back from the gate.

Out on the tarmac, a group of AirTran Airways Crew Members had gathered, standing there solemnly, hands over their hearts.

It was a simple gesture, but it spoke volumes about the emotion and the empathy of our airline and our city for your baseball team and your university.

Ironically, Atlanta's quick and coordinated response to the accident might well not have happened had it not been for the September 11<sup>th</sup> attacks on New York and Washington.

After 9/11, first responders across Atlanta worked to improved cooperation and coordination.

And I think you could really see the fruit of that work in the way that various organizations were able to work together and take action quickly in the minutes and hours following the bus accident.

LONG

As the world's eyes turned to Bluffton on March 2 and in the days that followed, you showed great character... and community... and love.

In the darkest hour, a single light can make all the difference.

And yours shown like a beacon.

Bright.

And brilliant.

And strong.

Today, I want to encourage you to continue to shine brightly in the lives of others.

People here at Bluffton.

People in the community.

And people in the wider world beyond.

So lead the way.

Protect your integrity.

Be confident and optimistic.

Do the right thing, even if it isn't popular.

Surround yourself with other leaders, as iron sharpens iron.

Lead to serve...and serve to lead.

I ask you to lead wherever you are...and wherever God places you in the future.

And see what happens.

We don't understand all of His ways.

We don't know what the future holds.

But we do know that He has us where He wants us.

Understand that there are many outstanding leaders who don't achieve vaulted positions of authority in society.

People who may provide leadership to a small number of people.

To their families.

To their coworkers.

To young people or others at their churches.

That's real leadership, that's necessary...and valuable...and worthy.

And even as we don't know what God has in store for us, we must prepare ourselves.

So I ask you to get ready.

Lead where you are.

Lead today in preparation for tomorrow.

Because tomorrow will come—and come quickly.

Jesus told the story of a master who entrusted some money to three servants and then went away.

When the master returned, the servant who had been given five coins had made for his master five more.

The second servant, who had been entrusted with two coins, had performed similarly well, making for his master two more coins.

The third servant, entrusted with only one coin, was so afraid of losing the coin that he kept it buried the whole time, giving back to his master only the one coin he had been given.

The results of the third servant did not please the master.

But, to the first two servants, the master said the same thing.

“Well done, thou good and faithful servant: thou hast been faithful over a few things, I will make thee ruler over many things.”

That doesn't mean we're all going to be CEOs and governors and mega-church pastors.

But it does give us a sense of God's expectations.

That we should lead where we are.

That we should be bold and purposeful in our actions.

And that we should make our time, our talents and our treasure count for others...and for God... and for His eternal purposes.

Thank you very much...

God bless you...

And God bless Bluffton University. 

## BRONZE AWARD: ENERGY CATEGORY

# The Energy Workforce of the Future

WRITER: ZACHARY NARRETT / SPEAKER: RALPH IZZO, CHAIRMAN, PRESIDENT AND CEO, PSEG

Washington, D.C., June 27, 2008

Some years ago, several storms collided in the Northeast to produce what has been called the perfect storm. Without exaggeration, the energy industry could face a perfect storm unless we ramp up efforts to prepare the highly skilled workforce of the future.

Powerful currents are heading our way: the wave of Baby Boomers retiring...the lack of skilled replacement workers...growing energy needs – including for green energy.

It is important to issue storm alerts. But even more important is taking action before the storm hits.

We need to invest in workforce preparedness, development and training...and do this with the degree of care and attention that energy companies give to preparing for whatever the weather may throw our way.

Moreover, we need to think about workforce development more comprehensively than in the past. Workforce development is a safety issue, a reliability issue, a customer care and green issue rolled into one.

Investing in the future of our industry begins with investing in people. If this sounds familiar, it should.

Skilled, dedicated and motivated employees have always been our most important asset and will continue to be. They are the key to achieving operational excellence, which is the foundation for success in our industry.

To put it bluntly, we would not be anywhere without the skilled trades and the hard-working men and women who built America's energy infrastructure and who provide energy around the clock and throughout the year...with a reliability that is the envy of the world yet is often taken for granted.

We all too often associate reliability with replacing a pipe, wire or valve. But think of the investment to replace a skilled employee with 40 years of experience who is retiring.

Think of the foundational investment in education...so that a person completing school has the skills, the inclination and the interest to connect with a company like ours.

So much is involved in reaching this point, let alone the hiring, training and getting new employees up to speed so they can do energy jobs well.

It takes years of on-the-job training to become proficient in utility operations (so a smooth handoff can be made from an employee who is retiring to one filling his or her shoes). In short, it takes a special type of person with the right skills to work in our industry.

All of which explains why employers like me are concerned about what students are learning (or not learning) in school.

Frankly, it is troubling that our nation ranks 14th in graduating students from high school, and that less than 15 percent of high school graduates have enough science and math background to pursue careers in engineering even if they wanted to.

Preparing students today for the jobs of tomorrow is a challenge that concerns us all. Labor, business, educational institutions and government have a common interest in the success of our students. We need to explore ways to create a closer alignment between what is learned in the classroom and what is needed in the workplace.

The energy industry will be creating plenty of jobs at all levels...thousands of new jobs in the coming years.

We will need more engineers and people with math and science degrees from colleges and graduate schools.

But I want to make it clear: We will also need more people coming from technical schools, vocational schools and high schools ready for great jobs in the skilled trades.

We have a major challenge to ensure our industry will have enough of these skilled employees in the years ahead for a number of reasons.

One reason is an aging workforce moving toward retirement...the first wave of a demographic transformation. The average energy worker will soon be almost ten years older than the average U.S. worker. In five years, from a combination of retirements and normal attrition, we could lose anywhere from a third to a half or more of our workforce, up and down the line, in positions from power plant technicians to engineers to line workers.

This situation has been building for some time. A few years ago, our company concluded we needed to market our industry more aggressively; reach out to diverse, non-traditional parts of the labor pool; and work more closely with educational institutions to help students get on a career path to our industry.

With these goals in mind, we developed a new initiative, our Energy Utility Technology Degree program, and got it up and running at one community college in 2003. The program now operates at four community colleges and a four-year state college, and has become a pipeline for non-traditional entry-level employees.

Our unionized workforce has done an incredible job in making this program their own...training and super-

vising the students during their internships with us, and serving as mentors and indispensable role models.

This program has created success stories as more than 60 of its graduates are now full-time employees. Building on efforts like this and others across the country will be critical.

We discussed the demographic challenge as one powerful current. Another is America's growing energy needs.

Even with big improvements in efficiency, America will need to invest more than \$500 billion in power plants, and another \$900 billion in transmission and distribution by 2030.

We have been hiring at our company for the construction of new transmission lines involving an investment of approximately \$1.6 billion over the next five to eight years.

And we will need more people to produce energy as well as bring it to consumers.

For example, our nation will need more emissions-free nuclear energy... nuclear being the only proven technology capable today of producing vast amounts of electricity without carbon.

The nuclear power industry is positioned for a renaissance, but must rebuild the parts of its workforce pipeline that dried up in the last two decades when new nuclear seemed like a pipedream and many colleges stopped offering nuclear engineering courses.

Our industry will be busy filling traditional energy jobs. But in addition, we can be a driving force in the creation of thousands of new green jobs in the fight against climate change.

Climate change is a scientific reality. And energy-utility companies have resources that will be vital in combating climate change...our skilled and dedicated employees, our recognized brand and our proven ability to invest over the longer term in ways that benefit the public.

Indeed, our workforce and environmental priorities come together: Timely action by our industry to reduce greenhouse gases can stimulate one of the biggest waves of job creation in our nation's history.

We need nothing less than the complete electrification of transportation, the decarbonization of electric power production and maximum efforts at energy efficiency.

This means there will be a huge need for workers to install solar panels, build wind turbines, lay insulation, do energy audits and bring more energy-efficient lighting, cooling and heating to homes and businesses across America.

This opportunity will be immense.

For example, New Jersey is looking at energy-efficiency retrofits for 3.7 million buildings (the entire building stock in the state) as an important step to help achieve the state's greenhouse-gas reduction goals for the year 2020.

Also, by the same date, New Jersey is looking to build

a renewable energy sector able to supply 20 percent of the state's electricity. This could involve 1,500 megawatts of solar energy and thousands of additional megawatts generated from wind, biomass and geothermal energy.

We believe a new nuclear facility may also be needed to help New Jersey reduce greenhouse gases. Building such a facility could create 2,500 construction jobs and another 500 jobs in nuclear operations.

When our federal government follows the lead of many states with an aggressive program to reduce greenhouse gases, it will give an enormous shot in the arm to green-job creation. We need to make it happen.

We recently released a position paper on what is needed to develop a green workforce. The answer is many of the same things we must do overall to create the future workforce. For the most part, the green jobs coming down the road will not be entirely different from traditional energy jobs, but rather modifications of them.

Green and traditional energy functions will overlap. The line worker who hangs a transformer could also hook up solar installations to the grid.

People in green jobs will be engineers, electricians, skilled technicians, workers in construction and manufacturing...and other traditional occupations in the energy field.

So where do we go from here? We need to mount the largest recruiting, training and workforce development effort since the creation of the energy industry.

We will need everyone engaged and active. Let me discuss three imperatives.

The first is partnerships. We need to build on:

The progress made especially during the last two decades of labor and management working together successfully, to mutual benefit, on a range of common issues. This is where groups like LAMPAC fit in and play an important role.

We need to build on:

Groundbreaking collaborations like the Center for Energy Workforce Development, the first partnership between utilities, their associations, contractors and unions focusing on strengthening the workforce pipeline.

We need to build on:

Partnerships with educational institutions like our Energy Utility Technology Degree program, career academies like the one sponsored by Gulf Power in Florida, and other initiatives to support the development of career-oriented education.

We need to build on:

Innovative efforts to create green jobs in cities... boosting the local economy while improving access to energy-efficiency savings and clean, renewable energy – tasks that utilities are uniquely equipped to assist as universal service providers.

Last but not least, we need to build on:

Public-private sector collaborations, such as the

apprenticeship programs that the International Brotherhood of Electrical Workers (IBEW) sponsors in association with government agencies.

By no means does this exhaust the list of partnerships, but let's move on.

Second is knowledge transfer along with skills development. We need to ensure that our employees' vast store of knowledge is passed to new hires.

Many companies such as ours have dedicated training facilities to help with this.

But it will be vital to draw in new ways on our longer-term employees as teachers and mentors.

Reinventing retirement with a view to offering retirement-eligible employees opportunities to continue working but at reduced hours will help in the knowledge transfer, training and development of the new workforce and could be ideal for an employee looking for either phased retirement or a part-time position while in retirement.

Third and finally, we must do a better job of promoting our industry as a great place to work. Our industry offers:

Highly competitive wages and benefits, with an average hourly wage about 70 percent higher than the aver-

age hourly wage in the private sector.

We offer:

Abundant opportunities not only to land a job but build a satisfying, rewarding career, working with skilled, dedicated people on some of the most important challenges of our time, in one of our nation's most important industries, one which is not going away.

We offer:

The chance to be part of something terrific, indeed noble, to provide essential energy, to do it in new ways that help our customers live better and help clean the planet.

In short, we offer something we can proudly sell... and what is more important, something people can proudly do to earn a good living and raise a family, as generations before them have done.

Pride is deeply woven into the fabric of our industry and workforce. But it is a quiet pride. We need to shout about it more: Raise the decibel level.

To conclude, the perfect storm heading our way could have a silver lining if we act now. The silver lining is jobs, growth and opportunity that will enable a new generation to realize the American dream and build a bright future.

Let's make it happen. Thank you. 🏆