

April 13, 2004

Statement in support of AB 1829

I am Kim Berry, resident of Citrus Heights, 1990 CSUS computer science graduate, president of the Programmers Guild, and employee of a CMAS contract vendor who is directly impacted by this legislation.

LEVEL PLAYING FIELD

There are several hundred CMAS vendors in California.¹ The majority are small companies that operate entirely within the State. Others, however, have offshore branches overseas, or, in the case of Infosys and R-Systems, are Indian companies with U.S. branches that are staffed predominately by foreign workers, and offshore their contracts overseas.

This represents unfair competition: The U.S. and California place requirements on the U.S. vendors that do not prevail for the foreign competition, such as a minimum wage, health benefits, and a 35% corporate tax.

The foreign contractors are exempt from these requirements. Many companies in India qualify for 10 years of zero corporate tax.²

Presumably the legislature believes these requirements serve a compelling interest. If so, then the State should protect this interest by supporting AB 1829. And if not, then the State should drop the legislation that gives offshored contactors an unfair advantage before opposing AB 1829.

REPRESENT CONSTITUENTS

Last week a Harris poll³ revealed that only 16% of Americans believe that offshoring is good for the U.S. economy, and a 69% to 17% majority would support a "special tax" on "companies that use less expensive foreign workers to replace American workers."

Presumably if AB 1829 were put to a public vote it would receive overwhelming support. Therefore this legislature should not be swayed by pressure from corporate special interests.

ITAA STUDIES ARE FLAWED AND BIASED

ITAA recently released a study claiming a range of future benefits from offshoring U.S. jobs.⁴

In this report ITAA admits that offshoring has damaged the IT job market, "but not as much as the dot-com bust did." The study contains the nonsequitur that offshoring will create hundreds of thousands of software and IT jobs in the U.S., but then asks for government assistance and retraining for the IT workers displaced by this economic shift.

Two years ago ITAA released a study claiming that one million IT jobs would be unfilled by mid 2003. I challenged ITAA with a \$1000 wager that their study was flawed.⁵ I would have won.

ITAA's membership is a "who's who" of offshoring companies, such as Wipro, Satyam, Infosys (several thousand U.S. workers, nearly all on nonimmigrant visas), Intel, IBM, HP (All moving significant manufacturing and R&D to India), Oracle (forcing 175 Americans to train their Indian replacements in Rocklin, CA), and Cognizant.⁶

OTHER FRAUDULENT ECONOMIC STUDIES

Among the more bizarre claims of recent studies was by the prestigious Institute for International Economics. It claims that there is no question that sending jobs overseas results in even more and better jobs in the U.S.⁷

I posed the following scenarios to IIE on March 15, 2004. While Catherine Mann sent me some supporting documents for her claim, she did not address any of my scenarios:

- 1) Boeing transfers its entire R&D and manufacturing to China. 20,000 highly skilled U.S. jobs lost. No more airliners are manufactured in the U.S. How could this event possibly directly result in over 20,000 new highly-skilled jobs being created, which you claim "without question" would result?
- 2) HP and Intel relocate their R&D and manufacturing to India. Microprocessors are no longer designed and manufactured in the U.S. 50,000+ jobs lost. Since most gross profit is consumed by operating costs, the bulk of the assets from the continued operation would be a trade deficit with India. How would such a loss result in more jobs in the long run? Do you believe that HP/Intel's competition

would hire more U.S. workers as a result? Or would they be forced to follow suit and relocate overseas to remain competitive?

3) HR Block terminates their U.S. staff and has tax returns prepared in India. How would this result in an increase in skilled jobs back in the U.S.?

Unless Industry can give sufficient explanations for real-life scenarios, this legislature should put zero faith in self-serving, corporate-funded studies.

CONCERN WITH PROVISION (B)

What if 10 contractors bid \$90k and don't make a Section (b) assertion, but one contractor bids \$80k, but claims under Section(b) that "*there are no workers in the U.S. that are trained to perform these services*"? Does the State accept the attestation and give the contract to the low bidder, in spite of 10 other contractors' claims that the work could be done in the U.S.?

The statute is vague in this regard.

Sincerely,

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¹ www.applications.dgs.ca.gov/pd/acqui/contract/itechidx.asp

² <http://economictimes.indiatimes.com/articleshow/601205.cms>

³ http://biz.yahoo.com/prnews/040407/nyw140_1.html

⁴ <http://www.ita.org/news/pr/PressRelease.cfm?ReleaseID=1080661097>

⁵ http://www.techsunite.org/news/techind/ita_bet.cfm

⁶ <http://www.ita.org/about/members.cfm>

⁷ <http://www.msnbc.msn.com/id/4459380/>