

**Testimony of
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**Senate Commerce Committee Hearing on
"The Role of Immigrants in America's Innovation Economy"
May 8, 2013**

Introduction

Good afternoon. Chairman Rockefeller, Ranking Member Thune, and members of the Senate Commerce Committee, thank you for holding this hearing and providing me the opportunity to testify here today on behalf of Caterpillar.

My name is Gwenne Henricks, and I am the Chief Technology Officer and Vice President of Product Development and Global Technology of Caterpillar Inc. Caterpillar employs more than 132,000 employees worldwide and distributes products in more than 180 countries through a dealer network that consists of about 190 dealers worldwide.

Headquartered in Peoria, Illinois, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. We have a long history of innovating on behalf of the customers we serve.

In my position as Chief Technology Officer, I am responsible for overseeing our global innovation and product development. When you look at our big yellow machinery or engines, you may not think of us as "high tech;" however, our company is constantly innovating at a rapid pace. In fact, we currently employ more than 10,000 engineers, scientists and technologists worldwide who are dedicated to providing high-quality solutions that our customers need to be successful. Last year, we filed nearly 1,100 patents and spent approximately \$2.4 billion on research and development. Today, our machines are powered as much by software as they are by fuel.

Whether we are researching ways to move more dirt with less fuel, developing products that generate fewer emissions or exploring new autonomous solutions—Caterpillar technologies are reshaping the process of using, managing and owning heavy equipment.

Innovation and Education

To continue to innovate at this level, we must maintain our competitive advantages, and at Caterpillar, we consider our people to be our greatest asset. The world has changed, and our competition is global. To maintain our economic and technological advantages over those global competitors, Caterpillar needs access to the world's best talent. That includes a sustainable pipeline of workers with an education in the fields of science, technology, engineering and math, or STEM. We must recruit from across the United States, but beyond our borders, too.

Our education system in the United States is currently not producing a robust pipeline of students in STEM-related fields. A recent study by the National Association of Manufacturers found that manufacturing creates 65 to 70 percent of U.S. engineering jobs, but the number of U.S. graduates in the STEM fields has been declining since 2003. Meanwhile, other countries are producing far more engineers and scientists.

Caterpillar has a long history of supporting educational opportunities that motivate and encourage STEM-field studies and is actively working to increase the supply of skilled STEM talent around the world. For instance, in 2013 more than 800 Caterpillar employees volunteered to mentor more than 2,000 students around the world participating on FIRST LEGO League, FIRST Tech Challenge and FIRST Robotics Competition teams. Caterpillar will contribute almost a half million dollars this year to support FIRST initiatives with the majority of this investment in the United States. However, we still fall short in meeting all of our needs in these jobs. That is where our immigration system comes into play by filling these gaps with much needed talent.

There may be a perception that High Skilled Immigration Reform would only benefit Silicon Valley-type companies. That is certainly true, but it will also benefit Midwest manufacturers such as Caterpillar. Today, Caterpillar has more than 1,400 employees working in the U.S. on non-immigrant visas and an additional 300 employees who have obtained their green card through Caterpillar. The vast majority of these employees are working in STEM fields, particularly in engineering and IT positions. Many of these foreign nationals are working on research and development projects.

However, our current system for high-skilled immigration is broken. From the cap on H-1B visas to the backlog of green card applications, there is much room for improvement. As Congress takes on Comprehensive Immigration Reform, I urge you to adopt sensible immigration reform that will allow Caterpillar to attract and retain world-class STEM talent.

H-1B Visas

H-1B visas are the primary way a company like Caterpillar hires foreign workers who are in specialized occupations, such as science and engineering. The current annual cap for H-1B visas is set at 65,000 (with an additional 20,000 exempted from the cap for those who have received a Master's degree or higher from a U.S. university).

The United States Citizenship and Immigration Services (USCIS) begins accepting applications on April 1 of each year, yet those foreign nationals cannot begin working in the United States until the first day of the fiscal year (typically October 1). As you are probably aware, the cap was filled immediately this year. On April 1, 2013, there were actually more petitions received than the cap would allow, sending a number of petitions into a lottery. Accordingly, companies such as Caterpillar will not be able to recruit H-1B employees again until October 1, 2014. That's 18 months from now.

This cap has not been permanently increased in more than 20 years. However, technology and innovation has dramatically changed since then. As the competition for STEM graduates has increased among U.S. companies in the last few decades, the number of foreign nationals we can hire

through the H-1B program has virtually stayed the same- with only a temporary increase from 1998 to 2003.

We feel strongly that the current cap and system for petitioning for new H-1B visas is outdated and must be changed. Not only would we like to see the overall cap increased significantly, but also we would like the number of H-1Bs allotted each year to accommodate demand. If demand increases, the cap should increase.

Green Cards

After we hire a foreign national and sponsor his or her H-1B visa, we often want him or her to stay at Caterpillar as a permanent employee. In that case, we sponsor the individual for a green card (permanent legal resident).

We recruit both Americans and foreign nationals from colleges and universities across the United States. Many foreign nationals receive advanced degrees from American universities in STEM fields, yet they are unsure if they will be able to stay here to work. As a result, these highly skilled and educated foreign nationals often have no choice but to return to their home countries and might end up working for one of our competitors. Any legislative solution should exempt STEM graduates from the annual cap.

Further, there is a significant backlog on green card petitions based on a "per country limit," which limits the number of green cards that can be approved annually from each country. Because of this backlog, particularly from foreign nationals from China and India, some of our employees have been waiting eight to 10 years to receive their green card! These are hard-working, educated, highly skilled employees who have assimilated into American culture. Their kids are in our schools. They have acclimated to their communities, and they are committed to staying here and making the United States their home. However, they are subject to a prolonged waiting period based solely on what country in which they were born.

Modernizing our high-skilled immigration system will help American companies like Caterpillar to continue to innovate by having access to high-skilled workers when we need them. We are counting on this next generation of engineers and scientists to meet the world's needs while preserving the environment for future generations through innovation and collaboration.

I-Squared Bill

In January, Senator Orrin Hatch (R-UT), along with a bipartisan group of senators including Senators Amy Klobuchar (D-MN) and Marco Rubio (R-FL) helping lead the effort, introduced S. 169, the *Innovation and Immigration Act of 2013*. This legislation is important because it establishes the link between the need for high-skilled immigration reform and the need for greater STEM education and funding in the U.S.

As members of the inSPIRE Coalition, we feel strongly that those two issues go hand-in-hand. There is an undeniable link between education and immigration, and while we work to build up our pipeline of STEM talent in the U.S. for our long-term needs, we must also meet the needs of today

through high-skilled immigration. I'd like to thank Senators Klobuchar and Rubio for their leadership on the bill's introduction. I'd also like to thank the other sponsors who are on the Commerce Committee: Senators Ayotte, Blumenthal, Blunt, Heller, McCaskill, Nelson, Schatz, Thune and Warner.

S. 744

We also appreciate the hard work and continued resolve of the "Gang of Eight." Reaching bipartisan compromise on any issue is difficult, but their work signifies the importance of finding consensus on common sense immigration reform.

The Gang of Eight bill, S. 744, the *Border Security, Economic Opportunity and Immigration Modernization Act*, was introduced two weeks ago and includes important elements of high-skilled immigration reform. It includes an increase of the H-1B visa cap, exempts many STEM graduates from the green card cap and repeals the "per country limits," among other things.

However, it also contains some potentially onerous provisions relating to recruiting, non-displacement and outplacement that could make it much more difficult for a company such as Caterpillar to obtain new H-1B visas for our employees and recruits. Please understand we agree with the intent of these provisions, but we are concerned that the language related to these provisions, if left unchanged, could actually create a piece of legislation that is more harmful than helpful to a company like Caterpillar.

Summary

It's worth repeating that at Caterpillar, we know our people are our greatest asset. That's why we need immigration laws that help us attract—and keep—the best talent from around the world and allow us to serve our global customers.

Our country's future competitiveness relies on reforming both our education system and our immigration system. It is not an either/or situation. We need both, and as business leaders, we stand ready to find solutions at the local and national level. If U.S. companies did not have the ability to recruit foreign nationals into these STEM positions, it would create significant challenges for companies in competing with foreign competitors to attract and retain world-class STEM talent. Increasing the number and availability of non-immigrant visas and green cards will lead to the creation of more jobs for U.S. citizens – not take them away. Further, it would incentivize companies such as Caterpillar to increase the number of operations facilities in the United States as well as increase its U.S.-based research and development spend.

We look forward to working with you and your colleagues in both the House and Senate to pass meaningful, common sense immigration reform this year.

Thank you, again, for the opportunity to be here today. I look forward to answering any questions you may have.