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**FROM THE DESK OF...**

**William T. Archey, AeA President & CEO**



**AeA Releases New U.S. Competitiveness Report**

I am proud to announce the release of our newest report entitled, "Losing the Competitive Advantage?: The Challenge for Science and Technology in the United States." At our recent board of directors meeting in Hallandale, Florida the board reviewed it and had a lot of constructive suggestions. Then on February 15, 2005, we officially released it to the public. I encourage all of you to read it; you can download a copy of it free of charge at: [www.aeanet.org/competitiveness](http://www.aeanet.org/competitiveness).

AeA began this discussion in March 2004 with our report on offshore outsourcing. Our view then, as it remains now, was that offshoring is merely a symptom of a dramatically shifting global economy and the U.S. role within it. This report serves as a natural sequel in that it addresses this big picture.

Many of the findings in this report may sound vaguely familiar, even obvious; others may seem surprising. Each of the variables discussed in the report – when taken in isolation as they so often are – do not necessarily constitute a crisis. It is the interrelationship that makes the more compelling case that the status quo is unsustainable. Our hope is that by examining the cumulative effect, not just the discrete statistics, any reasonable person will see the need to act.

We argue that even if the United States were doing everything right, the world still poses unprecedented competitive challenges. But we are not doing everything right. As a result, addressing these competitive challenges is made more difficult. I hope to hear from many of you with your reactions to the report.

Sincerely,

William T. Archey  
AeA President and CEO

**Photo of the Month**



Traver Gruen-Kennedy, Chief Strategist and Vice-President, Citrix Systems Inc, Governor Jeb Bush (R-FL), John V. Harker, AeA Chairman and Chairman of the InFocus Corporation, William T. Archey, AeA President & CEO, at the AeA Board of Directors meeting where Governor Bush addressed the board on Florida's national strength in technology, research and innovation (Left to Right).

For more info visit: [www.aeanet.org/florida](http://www.aeanet.org/florida)  
February 4, 2005  
Hallandale, FL

**"AeA Conferences clearly have a reputation among opportunistic investors as 'the place to go' for investment ideas and opportunities."**

Bob Murray,  
Vice President  
Magnetek, Inc.  
Los Angeles, CA

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## FEDERAL ISSUES AFFECTING YOUR BOTTOM LINE



### Action on Sarbanes-Oxley Section 404 & Stock Options

AeA's Sarbanes-Oxley Section 404 efforts have been gaining momentum over the last few weeks. On February 10, 2005, AeA released its white paper titled "Sarbanes-Oxley Section 404: The 'Section' of Unintended Consequences and its Impact on Small Business." The report was formulated by AeA member company CFOs and other senior executives throughout AeA's 18 councils in the United States. Through this grassroots initiative, over 125 member companies have participated in creating the framework of this paper.

AeA and its national Section 404 committee have been working on the recommendations set forth in the report for the last few months. Although the paper is complementary of Sarbanes-Oxley overall, the report is especially critical of Section 404. The concerns range from the inordinate costs imposed on smaller companies, and the fact that many of the requirements were intended for larger companies, thus imposing a costly and unnecessary burden on smaller companies. The report concludes with recommended solutions to the problems addressed in the paper. To download the paper visit: [www.aeenet.org/soxreport](http://www.aeenet.org/soxreport)

Members of AeA's National Board of Directors and Section 404 committee have met twice with the SEC Chief Accountant, the study team on SARBOX of the Government Accountability Office (GAO), and AeA's President/CEO has met with the Chairman of the Public Company Accounting Oversight Board (PCAOB). Members of the Section 404 committee will be meeting with the GAO study team on SARBOX and the Chairman and other senior members of the PCAOB on March 1, 2005.

**Stock Options:** Another priority for AeA that is getting additional attention is stock option expensing. The SEC is currently in the process of drafting guidance on the FASB rule on expensing, with publication before the end of the first quarter.

AeA has asked the SEC to further delay the implementation date of the rule and has asked the SEC to field test valuation models before allowing the rule to go into effect. Members of Congress have also written to the SEC requesting similar actions.

In the meantime, Reps. David Dreier (R) and Anna Eshoo (D) of CA have re-introduced their stock option legislation from last year that would delay implementation of the FASB rule for three years and call for a comprehensive study by the Secretary of Commerce on the effect of expensing on American workers and US competitiveness. Stay tuned.

- John Palafoutas, Sr. Vice President of Domestic Policy and Congressional Affairs

## STATE ISSUES AFFECTING YOUR BOTTOM LINE



### RFID Privacy - New Mexico House Bill 215 Killed

New Mexico's RFID privacy legislation, HB 215, was tabled for the session in the New Mexico House Judiciary Committee on February 11, by a vote of 7-2. AeA was there to testify against the legislation and represent the high-tech community as a whole. The legislation mandated that businesses must disable or remove all RFID tags at the point of purchase and required them to post warning signs in the place of business as well as place a warning tag on each individual item that contained an RFID tag.

This marks the first instance of a piece of negative RFID privacy legislation coming up for a vote, and the first instance of that legislation's demise on the merits of our arguments. You can find the full testimony at: [www.aeenet.org/RFIDTestimony](http://www.aeenet.org/RFIDTestimony)

While this legislation is almost certainly dead for the session, there is the outside chance that it might be reintroduced in the Senate; for that reason, we will continue to closely monitor this issue. Additionally, we will continue to monitor the various RFID bills in several states as part of AeA's State Policy Action Network and will be announcing new events in the upcoming months in numerous councils pertaining to border protection and customs.

If you have any questions about RFID or Privacy issues, please contact Marc-Anthony Signorino, AeA's Counsel and Director of Technology Policy and Coordinator of State Policy, at [Marc-Anthony\\_Signorino@aeenet.org](mailto:Marc-Anthony_Signorino@aeenet.org).

- Marc-Anthony Signorino, AeA's Counsel and Director of Technology Policy



## INTERNATIONAL ISSUES AFFECTING YOUR BOTTOM LINE



### Customs and Export Controls Committees Kickoff 2005 with Q1 Meetings

Nearly 40 high-tech leaders participated in the quarterly AeA Export Controls Committee meeting on February 8, 2005. Luke Alexander, Director of Global Trade Compliance, Hitachi Data Systems, and the AeA West Coast Export Controls Committee Chair, led the discussions. AeA welcomed two guest speakers from the Bureau of Industry and Security, U.S. Department of Commerce. Matthew S. Borman, Deputy Assistant Secretary of Commerce for Export Administration, provided a summary of recent activities and plans for 2005. He touched on topics including export controls for China, the proposed high performance computing metric, and updates to specific country regulations. Wendy L. Wysong, Deputy Assistant Secretary of Commerce for Export Enforcement, provided an overview of the current organization and discussed voluntary self-disclosure, deemed export issues, and proposed outreach efforts with freight forwarders.

On Wednesday, February 9, 2005, Jill Franze, Global Customs Manager, Cisco Systems and the AeA West Coast Customs Committee Chair, and Ken Montgomery, Director of International Trade Regulation, AeA, led the Customs Committee meeting. In addition to reviewing the activities and new objectives of the Customs subcommittees, the group welcomed three guest speakers. Michael T. Schmitz, Assistant Commissioner, Office of Regulations and Rulings, Customs and Border Protection (CBP), provided an overview of the WCO Framework on Security and Trade Facilitation. AeA will be leading an effort to provide input and comments on the proposed framework. Meredith Broadbent, Sarah Rogge, and Barbara Norton from the Office of the U.S. Trade Representative (USTR) provided the attendees with an update on the NAMA initiatives of the Doha Agenda. The AeA member company representatives continue to support the efforts of USTR to eliminate tariff and non-tariff barriers on technology products. William F. Inch, Director of ITDS, U.S. Customs and Border Protection Modernization Office, and Samuel Banks, Sandler & Travis Trade Advisory Services, provided an update on the Automated Commercial Environment (ACE) including recent releases and upcoming plans.

Participation for these committees is free to all AeA members. For more information or to join, contact Ken Montgomery at [ken\\_montgomery@aeenet.org](mailto:ken_montgomery@aeenet.org) or to learn more about all of AeA's International committees contact Rob Mulligan at [rob\\_mulligan@aeenet.org](mailto:rob_mulligan@aeenet.org).

- Rob Mulligan, Sr. Vice President International

## WORKING FOR YOU: MEET YOUR AeA STAFFER



**Roxanne Gould**

Senior Vice President of California  
Public Policy and SPAN

Roxanne Gould is the Senior Vice President for California Public Policy & SPAN (State Policy Action Network). Based in Sacramento, Roxanne is responsible for developing and leading AeA's statewide grassroots and government communications strategy in close cooperation with AeA member companies throughout the states. She also serves as spokesperson for California high-tech public policy priorities with the media.

Roxanne joins AeA with 19 years of statewide public policy experience and has considerable familiarity with important high-tech issues such as privacy, protective orders, tax/fiscal issues, consumer affairs and Human Resources. She advocated these issues and others for multiple clients in her position at Wilke, Fleury, Hoffelt, Gould & Birney as well as TRW. During her tenure at Bank of America as Vice President, Director of Government Relations and Interstate Political Support, Gould developed, implemented, and advocated legislative initiatives throughout the United States on consumer, wholesale and economic issues.

Roxanne holds a Bachelor of Arts Degree in Information and Communication Studies from California State University at Chico and has a five year old daughter.

For more information  
[www.aeenet.org/span](http://www.aeenet.org/span)

## NEW & RENEWING MEMBERS

- |   |   |   |  |
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|---|---|---|--|
- For a listing of all of AeA's nearly 3000 member companies visit:  
[www.aeenet.org/members](http://www.aeenet.org/members)

## EVENTS CALENDAR: MARCH 2005

- 3.01:** HR Committee Meeting . . .(Woburn, MA)  
**3.01:** Sales Excellence Series: Part III:  
Sales Execution . . . . .(Bellevue, WA)  
**3.02:** Developments in Fed. & State Wage &  
Hour Laws . . . . .(Billerica, MA)  
**3.03:** Operational Excellence: Turning  
Vision Into Reality . . . . .(Portland, OR)  
**3.03:** Policy Issues Briefing Workshop . . . .  
. . . . .(Sacramento, CA)  
**3.07 - 3.08:** AeA CEO Leadership Retreat  
. . . . .(Austin, TX)  
**3.07 - 3.08:** Digital Living Room. (San Mateo, CA)  
**3.08:** Getting Revenue From Fed Gov,  
State, & System Integrators . . . .(Hillsboro, OR)  
**3.08:** HR Roundtable . . . . .(Santa Clara, CA)  
**3.09:** Government Market Research . . . . .  
. . . . .(Hillsboro, OR)  
**3.10:** AeA Congressional RFID Fair . . . . .  
. . . . .(Washington, DC)  
**3.10:** AeA's Lunch With State Legislators . .  
. . . . .(Denver, CO)  
**3.10:** CEO Forum . . . . .(Portland, OR)  
**3.10:** Employment Law Updates . . .(Clark, NJ)  
**3.11:** Procurement Seminar . . . .(Roseville, CA)  
**3.11:** WA Council Exec Committee (TBA, WA)  
**3.15:** AeA Technology Industry Golf Event .  
. . . . .(Greensboro, GA)  
**3.15:** CEO Forum . . . . .(Broomfield, CO)  
**3.15:** Executive HR Forum . . . . .(Portland, OR)  
**3.15:** Lean In Action: Best Practices & Site  
Tour . . . . .(Bellevue, WA)  
**3.15 - 3.16:** AeA Venture Forum..(Greensboro, GA)  
**3.16:** CFO Forum - CFO As the  
Communicator . . . . .(Granite Bay, CA)  
**3.16:** Free Export Control Event in China . .  
. . . . .(Shanghai, China)  
**3.16:** Sales Effectiveness and Incentive  
Compensation . . . . .(Chelmsford, MA)  
**3.16:** Understanding & Working with the  
Hidden, Disruptive Dynamics . . . .(Bellevue, WA)  
**3.17:** AeA Texas CEO Forum . . . . .(Dallas, TX)  
**3.17:** LA Council Executive Committee  
Meeting . . . . .(Woodland Hills, CA)  
**3.18:** Exec Leadership Inst Managing  
Organizational . . . . .(Dev Bellevue, WA)  
**3.22:** AeA Texas CFO Forum... (Richardson, TX)  
**3.24:** Managing the Design Factory: Using  
Lean Methods in Product . . . . .(Bellevue, WA)  
**3.25:** NJ-PA Executive Committee Meeting .  
. . . . .(Via Telephone Conference Call, NJ)  
**3.29:** M&A: Best Practices and Due  
Dilligence . . . . .(Portland, OR)  
**3.31:** NJ-PA Government Affairs Committee  
. . . . .(Via Telephone Conference Call, NJ)  
**3.31 - 4.01:** Tech Days in Tallahassee . . . . .  
. . . . .(Tallahassee, FL)

For a full listing of events visit  
[www.aeanet.org/events](http://www.aeanet.org/events)

## ATTEND THE ANNUAL AeA HIGH-TECH GOVERNMENT DINNER



**June 8, 2005**  
**Washington, DC**

The Annual AeA High-Tech Government Dinner is the premier Washington, DC event bringing hundreds of industry, congressional, and government leaders together at one venue. Previous years' attendees included Steve Cooper, CIO, Department of Homeland Security; Dee Lee, Director of Procurement Policy for the Department of Defense; Rep. Steny Hoyer (D-MD); Rep. Cal Dooley (D-CA); and Phil Bond, Undersecretary of Commerce for Technology.

This year's keynote address will be delivered by Anne M. Mulcahy, Chairman and CEO, Xerox Corporation. Since taking over as CEO in 2001, Anne Mulcahy has spearheaded a massive effort to regain market share and improve the company's bottom line. Xerox revenues have risen to \$15 billion, and it employs over 60,000 people around the world. Previous keynote speakers have included Bruce Chizen, CEO, Adobe Systems, and Christopher Galvin, the former CEO of Motorola, Inc.

For sponsorship information please contact John Palafoutas, at [john\\_palafoutas@aeenet.org](mailto:john_palafoutas@aeenet.org) or 202.682.4451.

For more information visit  
[www.aeanet.org/governmentdinner](http://www.aeanet.org/governmentdinner)

## THE GLOBAL AeA RFID INITIATIVE KICKS OFF



### Congressional RFID Fair on Capitol Hill and Educational Tutorial in Washington, DC



One of the AeA RFID Initiative's first events is an **RFID Technology Fair** to be held in Washington, DC for Members of Congress and other government officials on Capitol Hill in the Rayburn Foyer on **March 10, 2005**. The AeA RFID Fair on the Hill will offer a unique opportunity to educate and excite Members of Congress and their staff on what RFID solutions can do now, as well as in the future. Sponsors and presenters include Alien Technology, Applied Digital, Freescale Semiconductor, HP, Infineon, Intel, LXE, Manugistics, Philips, Rockwell Automation, Texas Instruments and Zebra Technologies.

Following the Congressional fair, AeA and Texas Instruments will be offering a free "**Radio Frequency Identification Device (RFID) 101**" tutorial for policy professionals at AeA's DC headquarters. This event will take place on **March 11, 2005** and will educate member companies on the value, purpose and many applications of the technology. This event is free and is exclusive to member companies therefore we anticipate a sell out quickly, so register early to guarantee your in-person attendance.

For more information or to participate in either event, please contact Marc-Anthony Signorino, AeA's Technology Policy Counsel, at 202.682.4428 or at [marc-anthony\\_signorino@aeenet.org](mailto:marc-anthony_signorino@aeenet.org).

For more info on AeA's Global RFID Initiative, visit  
[www.aeanet.org/RFIDinitiative](http://www.aeanet.org/RFIDinitiative)



## HIGH-TECH'S MOST RENOWNED EXECUTIVE EXPERIENCE



### AeA and Stanford University to Honor Alumnus Ned Barnholt of Agilent

AeA and Stanford University will honor Institute alumnus Ned Barnholt for his outstanding contributions to technology. Ned Barnholt attended the Institute in 1975 as a marketing project manager with Hewlett-Packard. He went on to successfully guide Agilent Technologies through its spin-off from Hewlett-Packard Company in 1999 and has since led the company's three business groups—Life Sciences and Chemical Analysis, Semiconductor Products, and Test and Measurement—as well as helped to shape a corporate culture widely recognized as best in class on a global basis. Mr. Barnholt will be stepping down and retiring as Chairman, President and CEO of Agilent Technologies on March 1, 2005.

Each year, over one hundred high-tech senior executives join the world's most outstanding educators and three dynamic CEO key note speakers at Stanford University to discuss influential leadership principles and examine critical business issues concerning technology companies.

The 2005 AeA/Stanford Executive Institute, will take place August 7-18. **Nominees who apply by April 1st will receive a \$1000 savings.**

For more information or to register visit:  
[www.aeanet.org/stanford](http://www.aeanet.org/stanford)

## EVALUATING LTI DELIVERY TO YOUR EMPLOYEES?



### New Offering for AeA Member Companies at Special Discount

With increased pressure from the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB), technology companies are being forced to re-think their long-term incentive strategies. Understanding the impact of option expensing on both employees and the bottom line is key to effectively managing compensation programs. To help, AeA has partnered with Mellon's Human Resources & Investor Solutions to provide AeA members with access to the Global Long-Term Incentive Practices Survey (GLTI) at a \$500 savings. With data for the U.S. and 34 other countries, the GLTI Survey provides detailed analyses on popular LTI vehicles such as:

- Stock options
- Stock appreciation rights
- Full value stock awards
- Cash-based plans
- Performance shares

For more information, contact Tina Morais at 408.987.4234, or visit [www.aeanet.org/glti](http://www.aeanet.org/glti)

## TRANSPORTATION SECURITY ADMINISTRATION INTERACTS WITH AeA

### 30+ TSA Contracting Officials Receive Government Market Research Training with AeA



Continuing to bridge the gap between the government and industry leaders on January 26, 2005, AeA hosted over 30 contracting officials from The Transportation Security Administration (TSA), Department of Homeland Security (DHS), in a market research course in AeA's David Packard Conference Center that included a demonstration of the AeA Member Directory as a free available tool. The morning session was exclusive to our government guests; but in the afternoon AeA welcomed industry participants to openly discuss and exchange ideas and challenges in the acquisition lifecycle. TSA is responsible for protecting the nation's transportation systems and had an FY05 budget of \$5.3 billion. AeA will be hosting a similar event on March 9, 2005, in Hillsboro, Oregon; and by popular demand AeA will also bring its government market events to the west coast again—offering educational seminars in both California and Oregon, in early March, on selling IT to the government.

For more information on AeA's Government Market Program visit:  
[www.aeanet.org/governmentmarket](http://www.aeanet.org/governmentmarket)

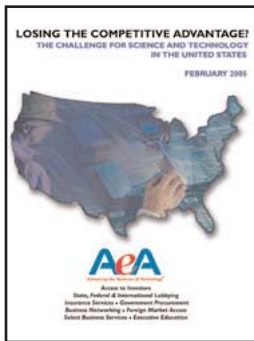
### AeA/Santa Clara University Management Program

June 13-16, 2005  
*Turning Managers into Leaders*

**Apply by March 1, 2005  
& Save \$300**

[www.aeanet.org/santaclara](http://www.aeanet.org/santaclara)

## LOSING THE COMPETITIVE ADVANTAGE? - NEW AeA REPORT



AeA's new report, *Losing the Competitive Advantage?: The Challenge for Science and Technology in the United States*, finds that America can no longer remain idle if we hope to continue our lead in science and technology. We are neglecting the factors that sparked the U.S. technology revolution. Ultimately, this threatens U.S. economic vitality and our competitiveness in the global marketplace.

"Even if we were doing everything right, the United States still faces major new challenges from an intensely competitive world. But we are not doing everything right, which exacerbates the challenges before us," said AeA's President and CEO, William T. Archey. "In our report, we analyze a number of competitiveness factors that, when taken in isolation, as they so often are, would not necessarily constitute a crisis. But the interrelationship – the cumulative effect of these trends – makes the more compelling argument that the status quo is unsustainable."

The report finds that other countries, including but not limited to China and India, are catching up in critical areas. These countries have restructured their economies to benefit from the free market system they once resisted. They are dramatically increasing the skill sets of their workforce, investing in research and development (R&D), and adopting advanced technologies, all to create wealth and spur economic growth.

"The good news is that as more countries adopt free markets, they open their doors to U.S. products and services. But, this also presents a challenge for the United States as these countries now aggressively compete against us – or soon will," added John V. Harker, Chairman of AeA's Board of Directors and Chairman of InFocus Corporation based in Wilsonville, Oregon. "The United States can no longer take its technological dominance for granted."

This report was officially released on February 15, 2005.

To download the report visit:  
[www.aeanet.org/competitiveness](http://www.aeanet.org/competitiveness)

## ABOUT AeA

AeA, founded in 1943, is a nationwide trade association that represents all segments of the technology industry and is dedicated solely to helping our members' top line and bottom line. We do this in partnership with our small, medium, and large member companies by lobbying governments at the state, federal, and international levels; providing access to capital and business opportunities; and offering select business services and networking programs.

AeA is the largest association of high-tech companies in the United States with nearly 3000 companies, representing all segments of the industry and 1.8 million employees.

## ABOUT THIS NEWSLETTER

For questions or information about this newsletter, please contact the AeA Monthly News Staff, via email, [aemonthlynews@aeaanet.org](mailto:aemonthlynews@aeaanet.org) or at 202.682.4458

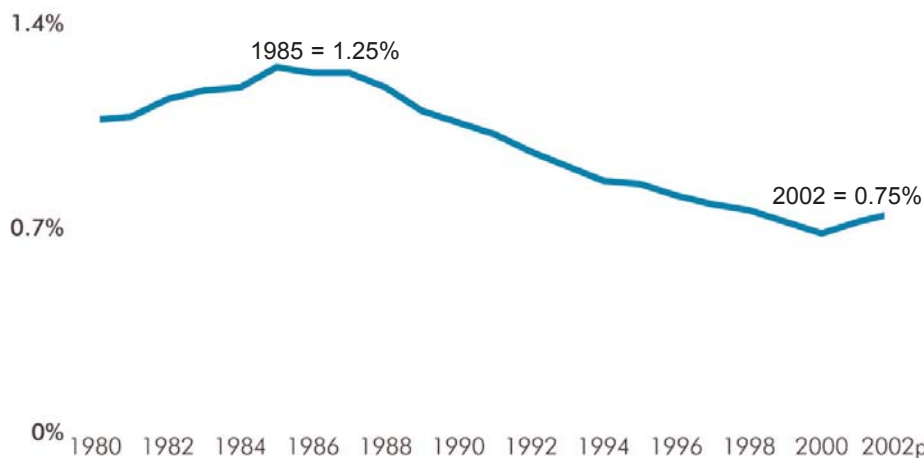
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## MONTHLY CyberSTAT

### Federal Funding of R&D as a Percent of GDP 1980-2002p



U.S. federal funding of R&D as a percent of GDP has declined over the past two decades. Federal R&D funding peaked in 1985 at 1.25 percent of GDP, a half percentage point higher than 2002 when R&D represented 0.75 percent of GDP.

Source: U.S. National Science Foundation

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