

FOCUS

N A M M E M B E R

JUNE 2009

Leadership. Advocacy. Involvement. We are the millions of people who make things in America.

“The NAM members helped bring home to legislators the consequences of their actions on economic recovery and jobs.”

—Michael Campbell,
NAM Chairman



NAM President John Engler addresses manufacturers at the Manufacturing Summit: “You are our most effective resource to help lawmakers understand how their decisions impact job providers in the real world.”

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www.nam.org

NAM Members Storm the Hill

More than 300 members of the National Association of Manufacturers (NAM) nationwide gathered in Washington, D.C. on May 6-7 for the first annual NAM Manufacturing Summit. In more than 125 visits with legislators over two days, the NAM members made

the case for policies that will end the recession, create vigorous economic growth and improve U.S. competitiveness.

“If there were ever a time we needed our government working with business to help the economy grow again, that time is now,” said NAM Chairman Michael Campbell, chairman, president and chief executive officer of Arch Chemicals, Inc.

The NAM members focused their Capitol Hill visits on three critical issues: climate change, taxes and the Employee Free Choice Act (EFCA).

Manufacturers told legislators to avoid climate change action that will raise energy costs, devastate jobs and put U.S. manufacturers at a competitive disadvantage.

► see **Summit** on page 2

Consumer Product Safety Law Offers Cautionary Lesson

When the Consumer Product Safety Improvement Act (CPSIA) came to the floor of Congress for debate last year, the arguments were crystal clear. Remember that powerful statement from one of the bill's sponsors?

"This legislation will force the destruction of millions of safe toys and children's garments, a billion-dollar hit to the toy industry. The sale of youth all-terrain vehicles (ATVs) and dirt bikes will be banned, so more children will use adult-size ATVs as a substitute, which will pose far greater risk. We will shut down home-based businesses, and small manufacturers will be crushed by the costs of product testing and tracking labels. Small retailers will phase out children's products, and used bookstores and libraries will discard countless volumes of children's classics. Pass this bill!"

Doesn't ring a bell? No reason it should; no one ever gave that speech. The bill's fervent supporters never warned that enactment of the CPSIA would cause so much harm to so many individuals and the economy, but it has.

These unintended consequences serve as a cautionary lesson for the Administration and the 111th Congress as they work to restructure vast areas of the economy through health care, taxation and energy and environmental policy. Even well-intended legislation responding to legitimate concerns can wreak havoc to people's lives and the U.S. economy. The greater the bill's reach, the greater the potential for damage.

Consider the cap-and-trade legislation reported out of the House Energy and Commerce Committee, chaired by Rep. Henry Waxman (D-CA), also a key sponsor of the CPSIA. The bill would



John Engler

establish a regulatory scheme that has the potential to cost millions of manufacturing jobs and further inject government policies into every single industrial decision made in the United States. It could be the CPSIA times 10,000.

Even more troubling is that unintended consequences can become permanent consequences. Despite a grassroots rebellion—and intense activity from the National Association of Manufacturers (NAM) and our partners—key members of Congress are simply dismissing the calls for reforming the CPSIA. It's hard to undo laws or regulations once they are enacted.

Actual implementation of the CPSIA is showing the real dangers of congressional overreach. Real businesses and real people suffer the consequences—intended or not.

John Engler is the president of the NAM.

► *Summit, continued from page 1*

The NAM members also emphasized the importance to U.S. competitiveness of tax policies that preserve the deferral of taxes on foreign earnings of U.S. companies, avoid rate increases on S Corps that file at the individual rate and maintain the last-in, first-out (LIFO) method of accounting for inventory.

Manufacturers also told legislators that the EFCA is one of the most direct threats to their ability to compete and that it will destroy jobs. No "compromise" on this fundamentally-flawed bill is acceptable.

"We are getting a clearer sense of the priorities of the Obama Administration," NAM President John Engler said at the Summit's kick-off event on May 6. "We supported the President's stimulus package and economic team, and we are encouraged by his Administration's commitment to trade," he said. "At the same time, there are some critical issues for the future of U.S. manufacturers that we need to address. Manufacturers can lead us out of this recession, but we need policies that help rather than hinder our ability to compete," Engler said.

Following an afternoon of Hill visits on May 6, the NAM members were joined by more than 75 members of Congress and their staff at the NAM Congressional Reception.

On May 7, the NAM welcomed Labor Secretary Hilda Solis, the first member of President Obama's Cabinet to address the NAM. She thanked the NAM for its support of the President's stimulus bill and highlighted the serious state of the economy.

Later that day, Minority Whip Eric Cantor (R-VA) spoke about his party's labor, energy and tax policy priorities to create a dynamic, job-creating economy.

"The NAM members helped bring home to legislators the consequences of their actions on economic recovery and jobs," said Campbell. ■

New Taxes on Corporate Foreign Earnings Would Kill Jobs

On May 4, President Obama proposed to change the rules governing the taxation of foreign earnings of U.S. companies. National Association of Manufacturers (NAM) President John Engler issued a statement, saying, “President Obama’s proposal to impose more than \$100

billion in new taxes on corporate foreign earnings will destroy jobs in the United States and make U.S. companies less competitive globally.”

Engler pointed out that, “The rhetoric on this issue fundamentally misrepresents the nature of global taxation and global competition. At a time when our economy is struggling and thousands of jobs are being lost every month, limiting deferral would impose an additional tax on U.S.-based international companies that would put them at a massive disadvantage and cost American jobs.

“Placing further restrictions on foreign tax credits would simply increase the U.S. corporations’ tax bill based on their overseas operations, making them less competitive against their foreign-based competitors,” he said. “In turn, the impact would fall hard on U.S. companies, their suppliers and their employees here at home.”

An estimated 21 million people in the United States—more than 19 percent of the total U.S. private-sector workforce and 53.3 percent of all manufacturing workers—are employed by companies with operations abroad. These overseas operations help U.S. companies reach the 95 percent of the world’s consumers who live outside the United States.

Unlike many other countries, the United States has a worldwide tax system so income is taxed wherever it is earned. In contrast, most developed countries charge little or no tax on foreign earnings.



With the U.S. system of deferral, foreign affiliates of U.S. companies pay the same rate of tax as their foreign-owned competitors while those earnings remain reinvested overseas.

“The United States currently has the second-highest corporate tax rate in the industrialized world behind Japan. Imposing additional taxes on U.S.-based international companies is the wrong idea at the wrong time,” Engler said.

Preserving deferral is a top tax priority for the NAM, which is a leader of the broad-based Preserve America’s Competitive Edge (PACE) Coalition. The NAM and member companies are aggressively educating lawmakers about this serious threat to U.S. competitiveness and jobs. “We urge lawmakers to carefully consider the facts before moving forward with this disastrous proposal,” Engler said. ■

NAM Forms New Customs Coalition

The National Association of Manufacturers (NAM) has established the Customs and Border Coalition (CBC) to address the increasing number of customs and supply chain issues faced by companies, including the 10+2 Rule, uniform rules of origin, 100-percent scanning, C-TPAT and the Lacey Act. Chaired by NAM Board Member Mike Williams, executive vice president of Sony, the coalition is open to all interested companies and associations.

The coalition’s mission is to provide a broad-based unified voice for industry and to ensure that the Department of Homeland Security (DHS), Customs and Border Protection (CBP) and the Congress fully consider the impact on commerce when they develop laws and rules. NAM President John Engler has met with new DHS Secretary Napolitano to engage DHS at the highest level in advancing the goals of the new coalition.

Currently, the major focus of the CBC is the 10+2 Rule implemented by the CBP in January 2009, with industry comments due June 1. The coalition has hired a firm to analyze the impacts and costs of the new rule on global supply chains and U.S. companies’ competitiveness. A basis for the analysis is a survey sent to several thousand companies and associations asking for input on the impact of the implementation since January.

The CBC is also working with Congress on the Customs Reauthorization bill. NAM member companies with an interest in these issues are encouraged to join the coalition and partner in efforts to work with the U.S. government to develop policies that enhance security while not unduly burdening legitimate trade.

The coalition needs your participation! To join or for further information on the CBC, contact Catherine Robinson, NAM director of high-tech trade, at crobinson@nam.org or (202) 637-3403.



EPA Climate Change Actions Raise Concerns

President Obama and Congress have both pledged to enact climate change legislation this year. On April 17, the Environmental Protection Agency (EPA) announced that it would move forward with a regulatory approach to control the emissions of carbon dioxide and other greenhouse gas (GHG) emissions because they pose a danger to the public's health and

welfare. The National Association of Manufacturers (NAM) urged federal regulators to defer to Congress on climate change and avoid an "endangerment finding" that would trigger regulation of GHG emissions under the Clean Air Act (CAA) and pre-empt congressional debate on an issue that would impact all sectors of the struggling economy.

The NAM warned that using outdated programs under the CAA as a tool for regulating GHG emissions will further burden an ailing economy while doing little or nothing to improve the environment.

"The EPA proposal will cost jobs. It is the worst possible time to be proposing rules that will drive up the cost of energy to no valid purpose," said NAM President John Engler.

"Triggering the various permitting programs under the CAA through an 'endangerment finding' will add costly delays to manufacturers seeking to expand operations or upgrade their manufacturing processes in a manner that conserves energy," Engler said. "An 'endangerment finding' would not only undermine recovery but could also prevent the most environmentally sophisticated technologies from being incorporated into a manufacturer's operation. The CAA was

designed to focus on local pollutants. GHG emissions, however, are global in nature and require a new framework," he said.

"The NAM looks forward to continuing to work with Congress and President Obama's Administration to discuss a modern and comprehensive climate policy that will achieve environmental objectives without inflicting harm on an economy attempting to recover and grow again," Engler said.

The EPA's proposed "endangerment finding" is likely to intensify pressure on Congress to pass legislation that would limit GHG emissions. Climate change legislation by House Energy and Commerce Committee Chairman Henry Waxman (D-CA) and Energy and Environment Subcommittee Chairman Edward Markey (D-MA) hopes to achieve huge reductions in GHG emissions through a cap-and-trade scheme.

While the NAM has not taken a position on the Waxman-Markey bill, passed by the Energy and Commerce Committee on May 21, NAM members attending the NAM Manufacturing Summit May 6-7 told lawmakers they are concerned that climate change legislation may raise energy costs and put U.S. manufacturers at a competitive disadvantage. ■

NAM Launches Manufacturing Skills Certification System

The National Association of Manufacturers (NAM) and The Manufacturing Institute recently launched a Manufacturing Skills Certification System that NAM President John Engler says "will revolutionize education and training for the 21st century manufacturing workforce."

"At a time when millions of Americans face unemployment, manufacturing jobs with excellent salaries—and across all skill levels and sectors—are unfilled because of the lack of qualified applicants," Engler said at the launch in Washington, D.C., attended by approximately 100 reporters and workforce development/education leaders.

Manufacturing Institute President Emily DeRocco noted that, "Our education system isn't adequately preparing the next generation of workers. The NAM is endorsing a revolutionary new approach to certification and credentials that will help workers succeed in high-quality, middle class jobs."

The NAM-endorsed system will initially focus on the core, basic skills required for entry-level workers in all sectors of manufacturing. The core skills include personal effectiveness competencies such as willingness to learn; academic competencies such as applied science and presentation skills; workplace competencies such as teamwork and applied technology; and industry-wide technical competencies such as supply chain logistics.

The NAM system will comprise stackable, portable credentials with real value in the workplace, grounded in the ACT Career Readiness Certificate.

Market leaders in educational and skills standards for entry-level workers are partners for the new skills system:

- ACT, Inc.
- Manufacturing Skill Standards Council
- National Institute for Metalworking Skills
- The American Welding Society
- The Society of Manufacturing Engineers

Visit www.nam.org/institute for more information about the new skills system.

Coca-Cola Enterprises Hosts *NAM Award* Event for Rep. Tom Price

John H. Downs, Jr., senior vice president, public affairs and communications at Coca-Cola Enterprises (CCE), presented the *National Association of Manufacturers (NAM) Award for Manufacturing Legislative Excellence* to Rep. Tom Price (R-GA) on April 9 at an award event sponsored by CCE in Marietta, Ga. In photo, from left to right, CCE team members Gene Rackley, Richie Johnson, John Downs and Congressman Price.



“Rep. Price has been a dependable voice of support for manufacturers and their employees,” Downs said. “We are grateful for his efforts to preserve manufacturing jobs and assure competitiveness in Georgia and across the nation.”

The *NAM Award* is given to members of the House and Senate who support key manufacturing votes 70 percent or more of the time, as determined by an advisory committee composed of NAM members from small and large manufacturers.

Rep. Price’s *NAM* voting record was 90 percent in the 110th Congress. He was one of 43 senators and 181 representatives who earned the *NAM Award*. Members of Congress are notified in advance when an upcoming vote has been designated a “key vote” by the *NAM*.

Voting records for members of Congress—including those who scored 70 percent or better to earn the *NAM Award*—are available at www.nam.org/votingrecord with further details about the *NAM Key Manufacturing Votes*.

NAM Sandy Trowbridge Award for Excellence in Community Service

Applications Due June 15

The National Association of Manufacturers (NAM) has created the *NAM Sandy Trowbridge Award for Excellence in Community Service*. Each year this award recognizes an *NAM* member company that has shown exemplary leadership in serving its community, state or nation, and is an example of the giving spirit of our nation’s manufacturers and businesses. The award, a cash donation to the charity of the winner’s choosing, honors former *NAM* President Sandy Trowbridge for his contributions to American manufacturing and his distinguished career in public service.

Only *NAM* member companies with 1,000 or fewer employees are eligible for this distinguished award. Applications are due by June 15, 2009. For more information and an online order form, visit www.nam.org/trowbridge.

Kennametal Inc. Hosts *NAM Award* Event for Rep. Bill Shuster



Kennametal Inc. sponsored a *National Association of Manufacturers (NAM) Award* event for Rep. Bill Shuster (R-PA) in Bedford, Pa. on March 23. Gary Weismann, vice president, Kennametal Inc. and president, Advanced Materials Solutions Group at Kennametal Inc., presented the *NAM Award* to Rep. Shuster, who had an exemplary 100-percent *NAM* voting record in the 110th Congress.

Upcoming | Events

THE NATIONAL SUMMIT

June 15-17, 2009
Detroit, Mich.
NAM President John Engler
Jeannine Pierce
(248) 210-5570

NAM'S WELCOME BACK TO CONGRESS RECEPTION

September 9, 2009
Washington, D.C.
Colleen Vivori
(202) 637-3114

NAM PUBLIC AFFAIRS STEERING COMMITTEE

September 9-10, 2009
Washington, D.C.
Tiffany Adams
(202) 637-3118

NAM BOARD OF DIRECTORS MEETING

October 6-8, 2009
Washington, D.C.
Dana Cole
(202) 637-3065

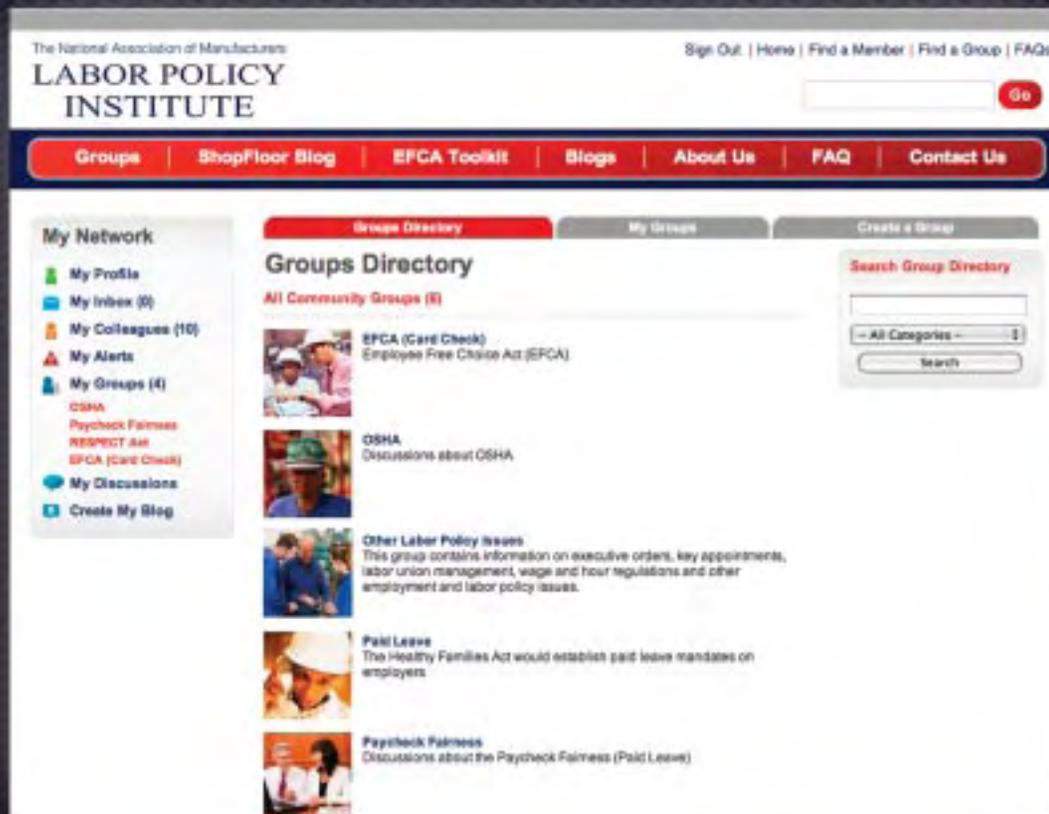
Join the NAM's Labor Policy Institute

The National Association of Manufacturers (NAM) created the Labor Policy Institute (LPI) to ensure a unified, strong voice in the fight against unfair, anti-democratic labor policy that jeopardizes America's competitiveness and job creation.

The LPI is mobilizing NAM member companies to educate policymakers on labor policy that would devastate the manufacturing economy.

Labor unions have geared up to aggressively advance their agenda. They have amassed a multi-million-dollar war chest with a primary goal of enacting the Employee Free Choice Act (EFCA) this year. Through our grassroots, grassstops and coalition efforts, we are making progress on a number of fronts. But there is much more work to be done.

We need your help to defeat bad labor policy. Make a difference and join LPI today by logging on to www.namlaborpolicyinstitute.org.



Progress on Agenda

NO "COMPROMISE" ON EFCA IS ACCEPTABLE

Sen. Arlen Specter (D-PA) has indicated that, despite his recent party switch, he will continue to oppose the misnamed Employee Free Choice Act (EFCA). There are a number of reports, however, that the Senator is actively seeking an alternative that would be as economically challenging for manufacturers as the EFCA. The National Association of Manufacturers (NAM) continues to sponsor regional events aimed at educating member companies on the current state of play on EFCA. Visit www.namlaborpolicyinstitute.org to stay on top of current EFCA developments.

NAM URGES CONGRESS TO REJECT SO-CALLED "HEALTHY FAMILIES ACT"

Rep. Rosa DeLauro (D-CT) and Sen. Ted Kennedy (D-MA) introduced the "Healthy Families Act" (H.R. 2460/S.1152) the week of May 18. The bill would require employers with 15 or more employees to provide one hour of paid sick leave for every 30 hours worked, with a maximum of 56 hours per year.

The NAM issued a statement opposing this mandate on employers.

HEALTH CARE REFORM EFFORTS REMAIN ON TRACK

Speaker Pelosi (D-CA) announced she plans to move a bill through the House prior to the summer recess. With an eye toward marking up legislation in early June, the Senate Finance Committee concluded a series of three roundtable discussions focused on how to expand and pay for health care reform. President Obama has promised to work with Congress to pass a health care reform bill by the end of July.

NAM WELCOMES BIPARTISAN ENERGY BILL

The NAM welcomed legislation (H.R. 2227) offered by Reps. Tim Murphy (R-PA) and Neil Abercrombie (D-OH) on May 5 to expand domestic energy production and promote energy diversity. This critical bill will expand development on the Outer Continental Shelf (OCS) and provide a revenue sharing scheme that will help fund carbon capture and sequestration projects and nuclear loan guarantees. ■

The Tide Is Turning

An Update on Structural Cost Pressures Facing U.S. Manufacturers

November 2008



2008 Cost Study Highlights Key Challenges to U.S. Manufacturing Competitiveness

The National Association of Manufacturers (NAM), The Manufacturing Institute and the Manufacturers Alliance/MAPI partnered to produce the first groundbreaking cost study in 2003. The fundamental rationale for the study—higher structural costs in the United States than in other major industrial countries for taxes, energy and regulatory compliance—remains valid today.

According to the updated 2008 cost study, U.S. manufacturers face a 17.6 percent cost disadvantage when compared with nine major industrial countries including Germany, Japan, Canada and China. These external costs hurt the ability of U.S. manufacturers to compete globally and are mainly influenced by government action and/or inaction.

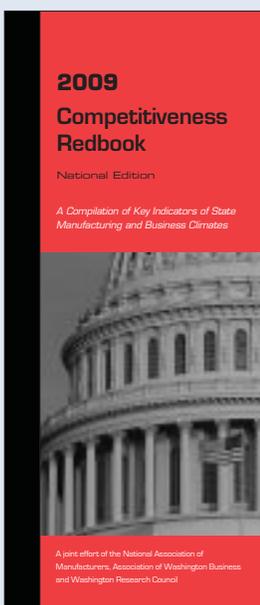
Copies of the 2008 cost study are available to NAM members at www.nambooks.com for \$20.00 (hard copy) and \$5.00 (PDF). Discounts for volume orders are also available.

For further information, please contact Sybil Hayes at The Manufacturing Institute, shayes@nam.org or (202) 637-3139.

2009 Competitiveness Redbook Available Now!

Order your copy of this comprehensive, must-have business publication today to determine how your state ranks in specific key areas. The *2009 Competitiveness Redbook—National Edition* is newly updated with many key economic indicators ranking each of the 50 states to help your company assess your business competition this year. The *Redbook* provides a concise snapshot of the structural costs facing U.S. manufacturers at the state level in key areas such as wages and output of workers in manufacturing, union membership, educational statistics and numerous others.

The data included in the *2009 Competitiveness Redbook* are essential for economic development professionals and those instrumental in forming public policy. Purchase your copy of the *2009 Competitiveness Redbook* before any of your competitors, for only \$10.00 (NAM member price) or \$15.00 (non-member price). Call (1-800) 637-3005 or order online at www.nambooks.com.



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WHAT'S THAT YOU SAY?

If you turn up the volume too high for too long on your Bluetooth headset, you could damage your hearing.

Seems obvious enough, but class-action lawyers brought suit against headset manufacturers for failing to provide adequate warnings, and now there's a settlement. According to the notice filed in U.S. District Court, Central District of California, the defendants will spend \$1.2 million to make the public aware of a settlement that offers \$0 to the class. Really! Four charities

picked by the plaintiffs will receive a total of \$100,000, and the manufacturers will now provide warnings along the lines of: "Exposure to loud noise from any source for extended periods of time may temporarily or permanently affect your hearing."

As Walter Olson at Overlawyered.com notes, only lawyers like these kinds of warnings: "Such warnings make the rest of us worse off; when people see so many warnings crying wolf, it inures them to meaningful warnings."



Legally Insane is produced by the NAM's Fair Litigation Action Group (FLAG). FLAG was created to initiate a broad, multiyear awareness campaign on the importance of fair liability laws and to advance legal reform measures necessary to achieve that goal. For more information on FLAG, visit our Web site at www.nam.org/flag.

NAM Member Focus

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