

Jay Timmons Talking Points, MSCI/AISI Annual Meeting, May 21 (As Prepared for Delivery)

Thank you, Bob [Weidner] and Tom [Gibson], for the invitation to speak here today.

Both the Metals Service Center Institute and the American Iron and Steel Institute are great partners with the National Association of Manufacturers.

Many of you here today are also part of the NAM, and I appreciate your investment in us.

The NAM represents 12,000 manufacturers. We are the voice of the 12 million Americans who work in manufacturing.

These are impressive numbers indeed, but there is no doubt that strengthening manufacturing in this country requires a complete team effort.

This is a time when we can use the strong relationships between our organizations to advance the issues that are priorities for each of us.

When we are united, our voices are more powerful.

Cooperation is especially important this year because manufacturing is front and center in the national debate. It is critical that we take advantage of this unique time in our nation's history.

Americans are rightfully looking at manufacturing as the path toward job creation and economic growth.

All across the country, everyone is talking about manufacturing.

There is increased media attention on modern manufacturing.

The President has made it the centerpiece of his economic agenda. Members of Congress on both sides of the aisle are touting the promise of manufacturing for our economy—so are candidates for office at all levels.

And there is good reason for this increased attention.

Manufacturing is a vital part of our economy. Indeed, it is the lifeblood of any prosperous nation.

For every dollar invested in manufacturing, \$1.35 of indirect economic activity is generated—the highest multiplier effect of any economic sector, by far.

The sector employs 12 million workers and supports another 5 million jobs.

We remain the world's largest manufacturer, producing one out of five manufactured goods globally.

Taken alone, manufacturing in the United States would be the 9th largest economy in the world.

Manufacturing has been leading the economic recovery, outpacing other sectors of the economy.

But the broad bipartisan support and the proven benefits of a strong manufacturing sector don't guarantee our success. And by no means should we start celebrating.

Despite the gains made in manufacturing overall, some sectors continue to face headwinds.

The economy remains shaky and has yet to show the robust recovery that we all want.

Even so, manufacturing is poised for a renaissance in the United States. It's up to us to get to that goal.

It all starts with pro-growth, pro-manufacturing policies in Washington.

If we want to maintain our economic position in the world, our federal policies must be focused on growth and competitiveness. And that means prioritizing manufacturing and ensuring its success.

This message is sinking in, but it hasn't yet led to the bold policies we need to bring about a manufacturing renaissance in the United States.

First and foremost, we need policies that will reduce the cost of manufacturing in the United States.

Currently, it is 20 percent more expensive to manufacture in this country than it is for our major trading partners, according to a study conducted by the Manufacturing Institute and MAPI. And that excludes cost of labor.

The primary driver of this cost differential is policy in the areas of taxes, litigation, regulation and energy. We have done this to ourselves.

Bringing about a manufacturing renaissance requires a comprehensive agenda that will remake the business climate in the United States.

And, the NAM has a plan to accomplish exactly that. Our *Manufacturing Renaissance: Four Goals for Economic Growth* provides the roadmap we need to reduce the cost of

doing business in the United States and make us more competitive in the international marketplace.

Our agenda sets four clear goals:

- First, the United States will be the best place in the world to manufacture and attract foreign direct investment.
- Second, the United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.
- Third, manufacturers in the United States will have the workforce that the 21st-century economy requires.
- And fourth, manufacturers in the United States will be the world's leading innovators.

These goals are winning the support of members of either party. Americans can rally around them.

For manufacturers, addressing our challenges is not about politics; it's about policy. It's about policies that reduce the cost of doing business and make manufacturers more competitive.

Unfortunately, advancing good policy has not been easy the past few years.

But elections tend to get elected officials and candidates focused, and this year is a perfect opportunity to set the table for the policy battles ahead.

That's why it is important for manufacturers to continue to highlight what it will take to make sure this country stays competitive and becomes more so.

Let's look at some of the things that make us less competitive and create that 20 percent disadvantage.

The chief driver of this cost differential is the corporate tax rate.

As of April 1st, the United States was able to boast about being number one on something significant, but it's not anything to brag about, unfortunately.

We have the highest corporate tax rate in the world.

No one was celebrating this milestone—except perhaps our competitors, who have to wonder why we impose obstacles to economic growth on ourselves.

Indeed, the trend across the world is to lower rates.

Japan lowered its rate, thrusting the United States into the top position.

Canada embarked on a series of reforms and ultimately cut its corporate tax rate to 15 percent at the beginning of this year.

Prime Minister Stephen Harper actually campaigned on lowering the corporate tax.

The United Kingdom recently announced it was going to continue reducing its corporate tax rate.

In making the announcement, the country's top budget official George Osborne drew the contrast between his country and the United States.

He told his fellow members of parliament that the U.K. is adopting "a headline rate that is not just lower than our competitors, but dramatically lower: 18 percent lower than the U.S."

When other nations are touting their competitiveness by highlighting their advantage over the United States, that's a problem.

The good news is that we are seeing bipartisan agreement about the need to reform our corporate tax system, but, as always, finding a legislative path forward is the challenge.

One key to moving tax reform is broad-based consideration of our entire tax system. Individual tax reform should be part of the conversation. Sixty-five percent of manufacturers pay taxes at individual rates (they are organized as "S" corporations or other "pass-throughs").

If Congress doesn't act, these manufacturers will face higher taxes in 2013, when the current individual rates expire.

If Congress does nothing, small and medium-sized manufacturers will face the prospect of paying a statutory top rate of nearly 40 percent on their income—and that's just at the federal level. Add in the President's health care tax, Social Security and Medicare taxes, and then state and local taxes, and small and medium-sized manufacturers will face a stifling tax burden.

Another matter of urgency is regulation, which is also a significant factor in the cost disadvantage facing manufacturers. Federal regulation is placing an enormous burden on manufacturers.

That's not to say that all regulations are a problem. Clearly, we need a balanced regulatory system. But it seems balance has been all but forgotten in Washington these days.

Consider these statistics highlighted by a report from the Competitive Enterprise Institute.

In 2011, just 81 bills made it through Congress and were signed into law by the President. Federal agencies, on the other hand, issued 3,807 final rules.

That shows what a lot of us have recognized. When Congress is gridlocked, regulators fill the void and step up their efforts.

And the regulatory onslaught continues. At the conclusion of last year, 4,128 rules were pending.

When manufacturers see these new regulations coming at them, they face a difficult choice. Do we expand our business and grow our workforce, or should we hedge our bets and wait to see if we will have to pay the huge costs associated with the new regulations?

And when the regulations are put in force, manufacturers use valuable resources to comply with the new rules, many of which will have little effect on the purported problem they sought to solve. Those resources could have been put to better use in expanding the business and hiring new workers.

For example, take the overreach of the Environmental Protection Agency. Thankfully, President Obama put a stop to the attempt to change ozone regulations in the middle of the game, but there are many others regulations on carbon emissions—MACT regulations on boilers, utilities, cement—and the list goes on.

Rules are being proposed that could spell an end to coal-fired power plants.

States are effectively regulating the development of shale gas resources, but now federal agencies are proposing regulations of their own.

Shale is a game-changer for the United States. At stake are 1 million jobs and huge costs savings on energy—those are the findings of a recent study PwC did with the NAM.

We hear the President broadcast his support for an “all-of-the-above” energy policy, yet many regulations coming out of his Administration simply contradict that policy and promote a “some-of-the-above” energy policy.

The United States has abundant energy reserves at its disposal, yet our policies keep too many of those resources off-limits.

And it’s not just domestic resources. We had a chance to gain access to reliable North American energy supplies from Canada, yet the President denied the permit for the

Keystone XL pipeline, saying the energy it would supply to our citizens was “not in our nation’s interest.”

Now, we all know that decision was purely political and will likely be reversed after the election; but playing politics has at the very least postponed the creation of 20,000 manufacturing and construction jobs, as well as 118,000 additional spin-off jobs.

Since that misguided decision, the President has gone from denying opposing a pipeline from Canada to the Gulf to supporting a pipeline from Oklahoma to the Gulf.

I suppose that’s progress, but we aren’t going to meet him halfway—literally—and in any event, there never should have been a delay in the first place.

Reliable and affordable energy can be a selling point for the United States, but we have to utilize the abundant resources we have at our disposal and ensure that regulations don’t raise the cost of energy to uncompetitive levels.

It’s especially important for manufacturers. After all, we use one-third of the energy produced in the United States. Our energy policy will go a long way in determining whether this country creates the conditions necessary for manufacturers to thrive.

Another urgent priority is the approval of a surface transportation bill.

It’s been almost three years since the last long-term reauthorization expired. Since then, Congress has passed short-term extension after short-term extension.

The result: Other countries are moving ahead with a 21st-century infrastructure program, while our government provides funds to fix potholes but not enable states and businesses to appropriately plan.

That’s no way to run a government, and the failure to make long-term investment in our surface transportation infrastructure hurts this country’s competitiveness.

So, the path ahead is not without its challenges. The nation is talking about manufacturing, and it’s important for us to embrace this great opportunity.

But, at the same time, we must recognize that the United States has erected barriers that make it harder to manufacture and do business.

Meanwhile, the world is growing more and more competitive. Other nations are seeking to knock us from our mantle of economic leadership.

With the right policies, we will win the global marketplace, and we can make manufacturing even stronger.

At the NAM, we are making a difference, with our Affordable Energy Campaign, Labor Policy Institute and other advocacy campaigns. And we are making a difference, in conjunction with our outstanding partners at MSCI and AISI.

I urge you to join me in spreading the message about the promise of manufacturing and this unique, once-in-a-lifetime opportunity to bring about a manufacturing renaissance.

Raise your voice, if you haven't already done so, join our choir and let's get Washington to work for us once again.