

The National Association of Manufacturers

MEMBER FOCUS

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OPEN WORLD MARKETS

To Strengthen Manufacturers'
Competitiveness (p.2)

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Thinking Globally

By **John Engler**, president and CEO, National Association of Manufacturers

On April 26, I had the opportunity to give the keynote address at the Institute for Supply Management's (ISM) 95th Annual Conference in San Diego, Calif. With a presence in 75 countries, the ISM truly demonstrates the global impact of supply management. So it follows that the more than 40,000 supply management professionals who belong to the ISM understand and appreciate the critical importance of the manufacturing economy and its global supply chain.

To be successful in today's interconnected, global society, manufacturers need a stable, predictable environment. Our government should promote pro-investment, pro-competition policies that enhance long-term sustainability.

As economic trends continue moving in a positive direction, these policies take on renewed urgency—from investment incentives and infrastructure funding that increase market share, to technological innovation and strong exports that help drive growth.

Take investment, for example. The United States pioneered the research and development (R&D) tax credit in the 1980s, and it became a powerful tool to attract jobs and investment. Other countries took notice and created their own more effective R&D incentives. Today the United States finds

itself with an expired tax credit—the only major industrial economy without incentives to attract companies to invest here. President Obama, like President Bush before him, supports making the R&D tax credit permanent. Congress needs to follow suit, and soon.

The United States also is failing to maintain its infrastructure. Roads, bridges, rails, locks and ports are in desperate need of repair. The current state of our infrastructure means manufacturers and supply chain managers cannot move goods efficiently. It means wasted fuel and increased pollution. To improve our ability to compete, we must make infrastructure a national priority. By doing so, we also create jobs in the United

States. We can do this for information infrastructure as well—from broadband, voice and video technology to a next generation air traffic control system. Other nations like China and India are looking to the United States to guide the evolu-

tion of their air transportation systems. If the United States is not the leader in deploying this technology, opportunities for U.S. manufacturers and workers—and our economic survival—may be lost forever.

In addition, our outdated export control system must be modernized to enhance GDP and add jobs. The bottom line is that non-U.S. buyers of our most technologically advanced products seek out our competitors just to avoid dealing with the U.S. government. The Administration has recently begun an initiative to double exports in five years, and manufacturers fully support these efforts to modernize export controls

on commercially available products.

The United States is the world's largest manufacturing economy, but that position is not assured. While we have been standing still, other countries are moving ahead and competing. We need to make sure Congress understands the realities and challenges of business in today's global marketplace—the relentless, fierce competition, the cost pressures, the infrastructure delays and the uncertainty of proposed tax rate increases. In short, improving our ability to compete must be a national priority. ●

“While we have been standing still, other countries are moving ahead and competing.”

Did You Know?

- R&D fuels innovation that translates into new products and increased productivity.
- The R&D tax credit expired December 31, 2009, for the 14th time since it was created in 1981.
- Nearly 18,000 companies of all sizes use the credit, and some 70 percent of credit dollars are used for salaries of workers engaged in R&D.
- Manufacturers claimed nearly 70 percent (\$5.7 billion) of R&D credit amounts in tax year 2007.
- In 2009, the United States ranked 17th among 21 OECD countries offering R&D tax incentives. Now the U.S. ranks last with an expired credit.

Open World Markets to Strengthen Manufacturers' Competitiveness



U.S. manufacturers are the most productive, innovative and resourceful in the world, but when it comes to selling their goods overseas, they are at a significant competitive disadvantage. With 95 percent of the world's consumers living outside of the United States, it is vital for our national leaders to implement

policies that will open vast foreign markets to the innovators and job creators here at home—America's manufacturers.

Manufactured goods dominate U.S. trade and already account for two-thirds of all U.S. exports of goods and services, including 80 percent of U.S. merchandise exports. However, the U.S. Commerce Department recently announced that while manufacturing exports are growing, they are outpaced by

manufacturing imports. This gap must be addressed.

Earlier this year, President Obama announced his National Export Initiative and the ambitious goal of doubling U.S. exports in the next five years—requiring exports to grow at an annual rate of 15 percent. If this mark is to be achieved, manufacturers are sure to play a leading role, but they will need help. To put manufacturers in the most

advantageous position to help reach the new export goal, a new direction will be needed in several critical areas.

Trade Agreements

One of the most direct ways policymakers can improve America's export totals is to move ahead on the bilateral free trade agreements (FTAs) that have proven beneficial to American manufacturers, trade and the economy.

FTAs account for nearly one-half of the nation's manufactured goods exports, and they are a practical way of eliminating foreign trade barriers and creating new markets for American products. They lower the price for consumer goods in the United States as well as the costs businesses pay for imported materials.

In addition, we enjoy a trade surplus with America's FTA partners. The Census Bureau reports that over the past two years, U.S. manufacturers had a \$50 billion surplus with their counterparts in FTA partner countries. Conversely, in the same time period, the U.S. trade deficit in manufacturing goods with the rest of the world was \$820 billion.

FTAs make manufacturers more competitive and provide new opportunities for them to sell their goods overseas. Congress and the Administration must forge ahead on agreements with Colombia, South Korea and Panama that have been languishing for over a year.

While we delay, our international competitors move forward aggressively to reach trade partnerships that will limit U.S. manufacturers' ability to compete. The European Union has either completed or is negotiating agreements with a host of countries ranging from India and Vietnam to our close neighbors like Argentina, Colombia and many Central American nations. As these agreements go into effect, Europe's firms will gain significant advantages, cutting U.S. sales and perhaps even freezing U.S. firms out of particular markets.

Free trade also will lead to more jobs for American workers. As more foreign markets become available, U.S. manufacturers, particularly small and medium ones, will need larger workforces to accommodate the growing international demand for their products.

Investment and BITs

Private investment flows supporting production, sales, service and other facilities in large and fast-growing overseas markets can drive U.S. exports and create jobs here at home. Government-negotiated bilateral investment treaties (BITs) with key developing countries can provide protections to U.S. investors and level the playing field, enabling U.S. manufacturers to compete for investment and market opportunities with European, Asian and Canadian firms.

A U.S. government review of our BIT program has run almost a full year with no sign

of decisions to get the United States back into investment negotiations with key countries like China, India and Vietnam. As with trade, by choosing to sit on the sidelines, the United States is slipping further behind as competitors extend their lead in BIT coverage.

Miscellaneous Tariff Bill

Key to near-term efforts to boost exports has been the National Association of Manufacturers' (NAM) emphasis on congressional passage of a miscellaneous tariff bill (MTB). The MTB provides vital tariff suspensions for companies that import foreign inputs not produced in America. These tariff suspensions temporarily remove duties on imported goods, helping U.S. manufacturers produce goods affordably and stay competitive in the global marketplace.

“A modern system of U.S. export controls could create 160,000 manufacturing jobs in the next decade.”

The previous MTB expired at the end of 2009, and since then manufacturers in the United States have faced import duties on vital production components. These additional cost burdens make manufacturers substantially less competitive and raise the price of goods they are selling.

Passing an MTB should be a top priority for Congress. Each day these tariffs are in place is a missed opportunity to create jobs and expand U.S. exports.

Export Controls

A final critical aspect of increasing U.S. exports in the long-run is the need to modernize our Cold War-era system of export controls to enhance our country's security and competitiveness.

The NAM has led the call for export control reform and in April released its "Blueprint for a 21st Century Export Control Regime." This proposal puts forth comprehensive recommendations that will help establish the framework for an export control structure that protects national

security, supports America's high-tech industrial base and allows manufacturers to compete in the global economy. To read the proposal's recommendations, please visit www.nam.org/blueprint.

The NAM is also a leading member of the Coalition for Security and Competitiveness, which was formed by manufacturing, business, aerospace and technology associations to encourage export control reform. The group's efforts, with the NAM leading the way, have been well received in the policymaking community. Not long after the publication of the NAM recommendations, Defense Secretary Robert Gates acknowledged the need for reform and announced the Administration's plan for modernization. "The United States is thought to have one of the most stringent export regimes in the world.

But stringent is not the same as effective," said Gates. "It is clear our current limitations in this area undermine our ability to work with and through partners to confront shared threats and challenges—from terrorism to rogue states to rising powers."

Gates added, "Its rules, organizations, and processes are not set up to deal effectively with those situations that could do us the most harm in the 21st Century."

Particularly encouraging was the Secretary's announcement of a single control list and a unified information technology platform, but other reforms are needed.

In addition to increasing U.S. exports, these upgrades will strengthen employment. A report by the independent Milken Institute and commissioned by the NAM, *Jobs for America: Investments and policies for economic growth and competitiveness*, estimates that a modern system of U.S. export controls could create 160,000 manufacturing jobs in the next decade and enhance real GDP by \$64 billion. It could also have positive ripple effects across other sectors of the economy.

American manufacturers have been called upon to help lead the economic recovery, and they will be instrumental if we are to achieve the President's goal of doubling exports in the next five years. Now it is time for our political leadership to take these steps and allow manufacturers to do what they do best. ●

with **Jay Timmons**, executive vice president



Is an Anti-Incumbent Tide Turning into a Tsunami?

There is no doubt about the anti-incumbent, anti-Washington mood permeating the American electorate. Confidence in government—particularly Congress—continues to wane. In a recent *Washington Post*-ABC News survey, respondents were asked: “Right now, are you inclined to vote to re-elect your representative in Congress in the next election or are you inclined to look around for someone else to vote for?” Fifty-seven percent said they would look around. In comparison, the last time the response to this question was comparably high in favor of “looking around” was just before the 1994 midterm elections when Republicans swept Congress.

Naturally, many observers focus on what this sentiment means for the potential outcomes in the November general election. Typically, incumbents are considered to be in good shape if they are consistently above 50 percent in the polls. This does not mean an incumbent who is under 50 percent will not be able to gain strength as the election nears, but it can be an early indicator of the incumbent’s strength against challengers.

Currently, in the races where Senate incumbents are widely expected to be re-elected, most are barely above 50 percent. In general election match-ups where senators up for re-election are facing strong challenges from the other party, none is getting above 50 percent. Several incumbents are trailing their likely challengers by significant margins.

We can look even closer than the November general election, however. In the May primary

elections, a number of incumbents have faced significant challenges from within their own parties, leaving several senior members of the House and Senate stunned in defeat. While no incumbents were knocked out of contention in the May 4 primary elections in Indiana, North Carolina and Ohio, the lack of enthusiasm among voters for the “establishment” candidates or incumbents was clear—with the anticipated frontrunners receiving less than stellar majorities in the final vote tallies.

In the Utah Republican party’s nominating convention on May 8, however, three-term Senator Bob Bennett (R-UT) failed to garner the votes needed to even compete in his party’s primary. Two other Republican candidates will go on to compete for the nomination on June 22.

On May 11, Representative Al Mollohan (D-WV-1) lost to a Democratic primary challenger after a 28-year career in the House. The May 18 primaries resulted in Republican-turned-Democrat Senator Arlen Specter (D-PA) losing the right to run for re-election and Senator Blanche Lincoln (D-AR) facing a June 8 runoff contest against Lieutenant Governor Bill Halter (D), who has already received nearly \$5 million in union political support during the primary.

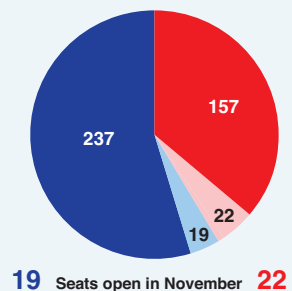
It is evident that voters on both sides of the aisle are very dissatisfied and politics as usual does not work anymore. One of the most significant takeaways from these early primaries and nomination battles is the difficulty the Republican and Democratic parties face in keeping their constituents unified. The divide between the extremes and the middle of the political spectrum appears to be growing, and it is likely to increase as the November general elections near.

What is the answer? Manufacturers believe effective strategies can be implemented in the near-term that would have long-lasting positive impacts on the economy and overall direction of the country. Manufacturers must urge members of Congress to focus on job-creating proposals, not adding more burdens on the entrepreneurs and job creators that fuel our economy. If they do, we will be on course to achieve the kind of economic growth needed to get Americans back to work and the country back on the right track. Only then can confidence in government institutions be restored. ●

Open Seats in November

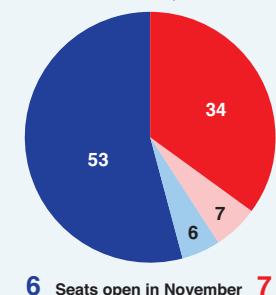
House of Representatives

Democrats: 255 Republicans: 177 Vacant: 3



Senate

Democrats: 59 Republicans: 41



Climate Legislation Introduced in the Senate

The U.S. Senate could soon take up climate change legislation that could significantly impact manufacturers across the country. On May 12, after weeks of delay, Senators John Kerry (D-MA) and Joseph Lieberman (I-CT) introduced their comprehensive energy legislation. While some legislative roadblocks could intervene, a climate bill remains a high priority and a key issue for many members of Congress.

The American Power Act covers a broad cross-section of the nation's energy issues, including expanding nuclear power, offshore oil and gas production and mandatory caps on greenhouse gas (GHG) emissions. It aims to reduce carbon emissions by 17 percent by 2020 and by more than 80 percent by 2050. The first restrictions will target power plants, followed by heavy industry in 2016 as well as transportation emissions. The legislation also encourages the use of America's natural gas and would place limits on the Environmental Protection Agency's (EPA) power to regulate GHGs through the Clean Air Act.

The Senators were slated to unveil their plan in late April, but a political row over timing of immigration reform caused them to reschedule the public roll-out of the bill. It began as a bipartisan effort with Senator Lindsey Graham (R-SC) taking a leadership role with Senators Kerry and Lieberman. Because of the political disagreement, however, Senator Graham, who helped craft the measure, has since withdrawn his support.

Without a Republican cosponsor, it is unclear how quickly Senators Kerry and Lieberman can move their bill, but Majority Leader Harry Reid (D-NV)

has left open the possibility of moving forward on comprehensive climate change legislation this year. It is likely that more details will emerge in early June, when key players have a chance to discuss timing and the way forward.

Demonstrating their readiness and intent to move forward, Senators Kerry and Lieberman have sent the bill to the EPA for modeling. This is a process by which the EPA reports how much the bill will reduce GHG emissions, impact renewable energy and cost consumers. Now that official text has been made public, the agency will provide its analysis so that Congress has a full understanding of the bill's economic and environmental impacts.

Throughout the process, the National Association of Manufacturers (NAM) has participated in stakeholder meetings to discuss the impact on manufacturers in the United States. Manufacturers believe America can and should work toward a reasonable, economically-viable solution on climate change issues. No other sector of the economy has made more investments in innovative solutions to advance renewable and alternative energy and GHG reduction technology.

While the NAM is encouraged by many of the provisions, we are concerned that the bill could impose additional burdens on manufacturers. The bill lacks details on how programs will work and what impact they will have on the economy. We will actively work to make certain manufacturers' concerns are addressed, and we hope final legislation will help reduce energy prices, spur economic growth, create jobs and strengthen manufacturers' ability to compete in the global marketplace. ●

EPA Releases Tailoring Rule

The NAM continues to resist attempts by the EPA to increase regulation of GHG emissions through its recent "endangerment finding." Last December, the EPA determined that GHGs in the atmosphere threaten the public health and welfare of current and future generations. This finding sets the stage for the EPA to impose broad regulations on millions of stationary facilities through the Clean Air Act, which will impact all sectors of the manufacturing industry.

While the EPA states that it will not begin implementing these regulations until next year, the agency released a "tailoring rule" May 13 that describes the new requirements for the largest GHG emitters. This could lead to follow-on regulations of smaller manufacturers throughout the country.

"Manufacturers are deeply troubled by the EPA's agenda and continued overreach in an effort that could eventually result in the Agency regulating everything from small factories to farms to schools to hospitals," said Keith McCoy, NAM vice president for Energy and Resources Policy. "This tailoring rule takes the country in the wrong direction by using the Clean Air Act to expand the power of the EPA and to allow the Agency to choose which energy sources U.S. consumers will use."

Although the NAM supports comprehensive efforts to reduce GHG emissions, it is clear that the tailoring rule will limit job growth and ultimately will undermine economic recovery.





Exports Support American Jobs

In 1996, a seminal report by Commerce Department Economist Lester Davis detailed the vital role exports serve as a source of economic and employment growth and high wages in the United States. During the late 1990s, the National Association of Manufacturers (NAM) made frequent use of this report in advocacy efforts to show the benefits of engaging in the global economy.

Fourteen years later, in April 2010, the Commerce Department released the first in a series of updates to the 1996 report, extending the findings to the current time. The report, *Exports Support American Jobs*, is available at www.esa.doc.gov/Reports/ESAJ.pdf. Here are the major findings:

- U.S. total exports of goods and services rose to 11.9 percent of the economy in 2008, a historical record dating back to the 1870s.

- Exports supported 10.3 million jobs in 2008, up 36 percent from the 7.6 million jobs supported by exports in 2003. More than half of the jobs supported by exports in 2008 were in two sectors: manufacturing (3.7 million, or 36 percent of the total) and business services (2.1 million, or 20 percent).

“U.S. manufacturing exports to our NAFTA partners increased from one-quarter in 1989 to one-third by 2009.”

- As a share of total employment in the United States, jobs supported by exports rose to 7 percent in 2008 from 5 percent in 2003. As the chart on this page shows, the manufacturing sector was the most export-engaged sector in 2008, with more than

one-quarter (27 percent) of employment supported by exports, up from the 1993–2004 average of about 20 percent.

- Due to a 9.6-percent decline in exports last year, jobs supported by exports fell by 300,000 in 2009 according to the report’s preliminary estimate.

However, given the recent upturn in exports over the past few quarters, an increase in export-supported employment should resume in 2010.

Going forward, U.S. export growth will increasingly be driven by our country’s ability to export to Asia. From just 22 percent in the 1970s, Asia’s share of the global economy (outside the United States) is expected to rise to 43 percent by the 2020s, offsetting an equal decline in Europe.

A focus toward Asia will require a shift in the historic pattern of U.S. exports. Due in part to the integration of North American economies, the share of U.S. manufacturing exports to our NAFTA partners increased from one-quarter in 1989 to one-third by 2009. At the same time, the shares to both Asia and Europe fell from nearly one-third to about one-quarter over the same period.

If the current Administration is serious about supporting President Obama’s charge to double U.S. exports over the next five years, a massive effort by the U.S. government to eliminate the remaining Asian barriers to U.S. exports will be needed. Europe is already negotiating trade agreements all over Asia that will leave the United States on the outside looking in. The U.S. government also must provide the kind of serious promotion and export financing support Europe provides its exporters to Asia. This is an important factor in why the European Union’s exports to China are twice as large as those of the United States. ●

Share of Jobs Supported by Exports in 2008



U.S. Department of Commerce, Office of the Chief Economist

Using the NLRB to Advance Labor's Agenda

On the first day of the congressional Easter break, President Obama used a recess appointment to seat former AFL-CIO and Service Employees International Union (SEIU) attorney Craig Becker on the National Labor Relations Board (NLRB).

The National Association of Manufacturers (NAM) opposed Becker's nomination because of his detailed writings suggesting he will seek to implement significant policy changes through NLRB actions that counter the principles of fairness and balance inherent in our labor law system. The NAM is particularly alarmed by his evident intent to circumvent Congress in the labor policymaking process.

The recess appointment also demonstrates the continued pursuit of the jobs-killing Employee Free Choice Act (EFCA). Labor leaders have indicated that they are searching for ways to attach pieces of the EFCA onto other legislation. While the legislative prospects for the EFCA are unclear, labor unions and their allies remain committed to implementing labor law changes this year.

EFCA's "card check" provisions—which would take away employees' right to secret ballot elections when deciding whether or not to join a union—are only part of the dangerous legislation. It also includes binding arbitration language that would fundamentally alter the collective bargaining process and jeopardize the employer-employee relationship. It also would provide for unparalleled government control of wages and benefits in the workplace.

The bottom line is that organized labor is fixed on enacting as many provisions of the EFCA as possible—even bypassing Congress to do so.

The NAM also remains concerned about NLRB actions and other proposals that could undermine manufacturers' goals and prove economically devastating. The Pay-check Fairness Act would raise costs for employers through increased litigation and frivolous class-action suits. It also would impose unprecedented government control over how employees are paid, among even the nation's smallest businesses.



■ EFCA's "card check" provisions would take away employees' right to secret ballot elections.

In addition, the Protecting America's Workers Act would overhaul our workplace health and safety system by overturning a bipartisan approach to promoting safer workplaces through cooperation between the Occupational Safety and Health Administration (OSHA) and employers. Instead, it favors more aggressive enforcement with higher monetary and expanded criminal penalties for alleged compliance deficiencies. While this legislation is still pending, OSHA has developed a new enforcement program that seeks to triple the average penalties for certain alleged violations.

Finally, the Department of Labor has proposed new rules that would lead to broad regulation of ergonomics issues. The proposed

musculoskeletal disorder (MSD) rulemaking would change recordkeeping rules and require employers to track "work-related" MSDs. This broadly defined term would significantly expand the conditions that must be captured on employer injury and illness reports and place substantial administrative and financial burdens on employers.

These misguided proposals would overturn our nation's labor policies that have served employers and employees well for decades. Organized labor has demonstrated its intent to press for their implementation through any means available. Manufacturers must closely monitor the NLRB's actions in the months ahead, and the NAM will remain vigilant in opposing this direction. ●



Learning from Arizona

NAM President Keynotes Arizona Manufacturers Council “Manufacturer of the Year” Event

The Arizona Manufacturers Council (AMC) hosted its annual “Manufacturer of the Year” event May 5, and NAM President John Engler delivered the keynote address. The AMC works to ensure that Arizona provides a globally competitive environment for the manufacturing sector to promote innovation and further investment in research and development.

“Our leaders in Washington could learn a lot from the guiding principles of the Arizona Manufacturers Council,” Engler said. “Number one on your list is supporting a taxation system that promotes capital investment and research and development activities and that keeps manufacturing jobs in Arizona. That’s our goal at the NAM as well, for Arizona and the other 49 states.”

Engler also discussed the importance of export growth and infrastructure investment if the United States is going to maintain its ability to compete—both internally and with the rest of the world.

“We need the kind of policies that make the United States more competitive, policies that would ensure a more robust economic recovery and enhance our long-term growth,” he said.

In closing, Engler called on attendees to make their voices heard and to urge lawmakers in Washington to change their policies so that U.S. manufacturing—which is so critical to Arizona’s and the nation’s economy—can continue to lead. ●

NAM’s Chief Economist Named to Associated Press Board

National Association of Manufacturers (NAM) Chief Economist Dave Huether was named to the new Board of Economists for the Associated Press (AP), the world’s largest news organization. Huether will contribute forecasts and opinions about U.S. economic trends through quarterly surveys and interviews that focus on financial and industry news and policies affecting manufacturers and consumers around the world.

Manufacturing in the United States comprises almost 12 percent of GDP.

The AP board is an exclusive group of 50 leading economists from industry groups, banks and academia who will offer their insight about key economic indicators such as GDP, employment, inflation and interest rates.

The AP business news staff will use these expert findings to report about the economic outlook and to drill into areas of special importance, including employment, exports and productivity.

Manufacturers in the Courts

D.C. Circuit Approves OSHA’s Per-Employee Citation Power

On April 16, the U.S. Court of Appeals for the D.C. Circuit upheld 34 workplace standards that permit the Occupational Safety and Health Administration (OSHA) to obtain multiple penalties against an employer for providing incorrect personal protective equipment (PPE), no PPE, or incorrect training to employees. The rule applies even when the violation is minor, not willful and causes no harm or injury to employees. Furthermore, OSHA may multiply its standard fines by the number of employees affected by a specified violation.

The court found that OSHA “stands in the shoes of the legislature” and can both define what constitutes a violation and define the unit of prosecution, or how many times a company can be fined for a single decision that affects many employees.

The decision will result in substantially greater fines and settlement leverage against companies. Although OSHA’s *Field Operations Manual* tells inspectors to issue multiple citations only when the employer’s behavior is willful and egregious, the decision gives great discretion to the agency to change its practice in the future.

For more information about this case, please visit lawcenter.nam.org. ●



Senate Passes Financial Reform Bill



■ **The Senate** approved the Restoring American Financial Stability Act on May 20.

This spring, President Obama continued to make his case for broad financial reform needed to resolve the underlying issues that led to the financial crash and exacerbated the economic recession. While these reform efforts primarily target large financial institutions and their practices on Wall Street, the legislation that passed the House last year and, at press time, had just been approved by the

Senate, also will have a substantial impact on manufacturers of all sizes.

The misguided practices that plagued the financial industry and led to the economic crisis must be addressed. However, efforts to tackle these problems should not target businesses that pose no systemic threat to the economy. It is unwise and unnecessary to extend banking-style regulation to manufacturers and other non-financial companies in the United States.

The National Association of Manufacturers (NAM) is pressing Congress to clarify that companies not predominantly engaged in the type of financial activity that caused the

financial crash are not subject to additional government oversight. Forcing many U.S. manufacturers to comply with new regulations, higher capital requirements and tighter limits on investments could divert resources away from innovation and job creation and make many manufacturers less competitive globally.

The proposed government regulation of over-the-counter (OTC) derivatives is a key concern for manufacturers. OTC derivatives are a valuable risk management tool for manufacturers of all sizes. Commercial end-users of derivatives have long relied on them to manage the cost of borrowing or

other risks of operating their businesses, including fluctuating currency exchange, interest rates and commodity prices.

Business end-users of OTC derivatives, such as manufacturers, simply do not and cannot contribute to systemic risk or instability because these transactions are spread across tens of thousands of companies throughout the nation. Excessive regulation could limit the ability of manufacturers to accurately hedge against risks that apply specifically to their companies. As reform legislation moves forward, it is crucial that any plan to regulate OTC derivatives includes a strong and workable exemption for end-users that use derivatives to hedge commercial risk.

The NAM has been actively engaged in these issues with both the Administration and Congress. Manufacturers support efforts to improve transparency, accountability and stability in the financial system, as each of these provides more certainty and a better economic environment in which to operate.

Attempts to address these issues, however, must take into account the impact on the businesses whose success is vital to America's economic recovery. The NAM is committed to protecting its members from these unnecessary burdens and maintaining their ability to invest, expand, generate jobs and compete at home and abroad.

With the Senate's work on its financial services reform bill completed on May 20, Congress could send President Obama a final reform bill by early summer. Before that, however, negotiators still will have to hold a formal conference to reconcile the Senate bill with the House-passed version, which takes a different approach to many issues, including the regulation of OTC derivatives.

The NAM will continue to push for positive changes to the legislation. Because of the breadth and scope of the legislation—the most significant reform of the financial services sector in a generation—consumers and businesses in every industry sector likely will be impacted by the reform measure. ●



Leading the Pack In Environmental Performance

Thomas Easterday is executive vice president, secretary and general counsel at Subaru of Indiana Automotive, Inc. (SIA) and an NAM Board member. SIA is the first auto assembly plant to achieve “zero landfill” status. Mr. Easterday talked with *Member Focus* about SIA’s sustainability efforts.

Member Focus (MF): What steps did Subaru take to achieve “zero waste to landfill” status?

Thomas Easterday (TE): Subaru has always been a very environmentally conscious company. When our plant was built in 1988, several wildlife habitat areas were preserved on our site, which led to all 832 acres being declared a Backyard Wildlife Habitat by the National Wildlife Federation. In becoming the first auto assembly plant in America to receive ISO 14001 certification in 1998, SIA went through a thorough process of identifying our waste streams and reducing as much of that waste as possible, particularly by eliminating unnecessary or redundant packaging. Next we looked at whether we could reuse some of the remaining waste or avoid creating waste through reuse. Almost all of our parts are now delivered to SIA in reusable containers. Finally, we identified some creative ways in which our waste could be recycled and used in the production of other items, such as railroad ties and even garden gnomes. In 2002, we set a goal to be zero landfill within five years. SIA achieved zero landfill status on May 4, 2004. Since 2000, SIA has reduced its waste per unit by over 46 percent, resulting in significant cost savings. In 2009, SIA recycled over 19,000 tons of waste and had a recycling rate of 99.9 percent.

MF: How have Subaru’s employees embraced this effort?

TE: SIA associates take great pride in our environmental stewardship activities. Most of the environmental *kaizen* (or continuous improvement) ideas come from our associates.

In addition, environmental stewardship activities are built into our everyday work processes. Environmental targets are part of the performance expectations for every member of the SIA management team. SIA sponsors many environmental stewardship activities and events both on our site and across the state of Indiana.

MF: Do you think other U.S. automakers will follow your lead?

TE: Many automakers already have excellent environmental stewardship programs, and some of the newer factories have been designed to be zero landfill or to achieve that status within a few years. For many years, automakers focused almost exclusively on the middle of the vehicle product life cycle (alternative fuel or low-emission vehicles) or the end (reuse or recycling of auto parts). Subaru has made everyone more conscious of the beginning of the life cycle and the importance of sound environmental stewardship activities in the manufacturing of vehicles. Several automakers and other manufacturers have come to SIA to learn about our outstanding environmental and safety programs. Many have reported that they are using some of our processes and ideas to improve their environmental stewardship and workplace safety.

MF: What can they learn from Subaru’s experience?

TE: Three important lessons: 1) Reduce, reuse and recycle—in that order. The savings from waste reduction can offset costs associated with reuse projects that have a longer return on investment or more difficult recycling

projects. 2) Environmental stewardship activities can save money and help your bottom line, if done in an innovative and efficient manner. 3) A sound environmental stewardship program can eliminate operating risks. The less a manufacturer puts into the air, water and land, the lower the likelihood of violating an environmental law, regulation or ordinance or being held legally responsible for an environmental remediation in the future. ●

Did You Know?

- NAM member companies are committed to advancing sustainability efforts that positively impact manufacturing.
- The NAM’s Sustainability Task Force plays a significant role in helping its members achieve cost savings and increased productivity and efficiency.
- Members of the Task Force support increasing efforts to:
 - improve conservation;
 - minimize waste generation;
 - increase recycling;
 - manage hazardous substances and solid waste responsibly;
 - reduce greenhouse gas intensity; and
 - implement opportunities to save energy through renewable energy technologies.

COOL STUFF BEING MADE

For more than a century, Mack Trucks, Inc. has produced some of the most durable and powerful heavy-duty trucks and engines in the world. In 1905, brothers John, Augustus and William Mack chose Allentown, Pa., as the home of their main manufacturing operations facility, and Mack soon became the standard in the United States for large commercial motor vehicle trucks.

Mack immediately set the bar high for innovation, becoming one of the first manufacturers to mount a cab directly over the engine to increase driver visibility and maneuverability. Today, Mack is one of North America's largest producers of heavy-duty trucks, and Mack trucks are sold and serviced in more than 45 countries around the world. Mack trucks have helped build America's roads, bridges and buildings. The famous Mack bulldog symbolizes the company's long-established reputation for strength, endurance and tenacity.

Mack trucks touch Americans' lives in some way on a daily basis — whether transporting goods or removing waste. In this month's "Cool Stuff Being Made," Roy Ernst takes us through Mack's 1-million-square-foot assembly operations facility in Macungie, Pa., just outside of Allentown, and shows us step-by-step how Mack's granite cab construction and refuse vehicles are manufactured. To view the video, please visit www.nam.org/CoolStuffBeingMade.



Maryland Thermoform Corporation Hosts Former Governor Ehrlich

Former Maryland Governor Bob Ehrlich visited NAM member Maryland Thermoform Corporation in Baltimore, Md., on May 6 to tour the facility and talk with employees. Ehrlich shared his thoughts on the cost of doing business in Maryland, job retention and creation and the current state of the economy. Ehrlich recently announced his candidacy for Governor in the upcoming 2010 race in Maryland.

■ **Photo:** Maryland Thermoform Chief Executive Officer Scott MacDonald and employees meet with Governor Bob Ehrlich.

NAM TESTIFIES ON CONSUMER PRODUCT SAFETY

In 2008, Congress passed the Consumer Product Safety Improvement Act (CPSIA). Soon after its enactment, it became clear that the timeline for new testing and certification and the labeling requirements for children's products were unrealistic and inflexible.

The CPSIA's overly broad reach harms consumers, manufacturers and importers alike by applying the same criteria to a wide range of products, regardless of their intended use. Millions of safe products are being destroyed, costing businesses billions and jeopardizing thousands of manufacturing and retail jobs.

On April 29, National Association of Manufacturers (NAM) Vice President of Infrastructure, Legal and Regulatory Policy Rosario Palmieri testified before a House panel on the Consumer Product Safety Enhancement Act (CPSEA), which was drafted to address the issues regarding the CPSIA's implementation.

The NAM continues to urge Congress to pass a new law to amend the CPSIA's confusing guidelines and unreasonable mandates and to improve resources to help the Consumer Product Safety Commission fulfill its mission.



LOEWS CORPORATION HOSTS SENATOR KIRSTEN GILLIBRAND

Pictured: Loews Corporation Co-Chairman and Chairman of the Executive Committee Andrew Tisch, Senator Kirsten Gillibrand (D-NY) and James Tisch, Loews Corporation Office of the President, President and Chief Executive Officer.



■ NAM President John Engler took part in a panel on the prospects for America’s economic recovery at the Milken Institute Global Conference April 26. **Pictured, left to right:** Donald Marron, president of Marron Economics LLC; NAM President John Engler; Ron Bloom, senior advisor at the U.S. Department of Treasury and White House senior counselor for manufacturing policy.

Upcoming Events

Congressional Dialogue with Rep. Howard Coble (R-NC-6)

Tuesday, June 8, 2010 • 9:00 a.m.–10:30 a.m.
 PPG Industries
 109 PPG Road
 Greensboro, N.C.
 Contact: Colleen Vivori • (202) 637-3114 • cvivori@nam.org

Briefing with Rep. Pete Olson (R-TX-22) and Rep. Christopher Lee (R-NY-26)

Monday, June 14, 2010 • 2:30 p.m.–3:30 p.m.
 NAM Headquarters
 1331 Pennsylvania Ave NW
 Washington, D.C.
 Contact: Colleen Vivori • (202) 637-3114 • cvivori@nam.org

State of the Elections Briefing with Rep. Pete Sessions, Chairman, National Republican Congressional Committee and Rep. Chris Van Hollen, Chairman, Democratic Congressional Campaign Committee

Tuesday, June 15, 2010 • 8:45 a.m.–11:30 a.m.
 JW Marriott Hotel
 1331 Pennsylvania Ave NW
 Washington, D.C.
 Contact: Colleen Vivori • (202) 637-3114 • cvivori@nam.org

Connect With Us



From the Shopfloor.org Blog

New Emission Standards for Boilers— They’re a Big Deal (Friday, April 30, 2010)

This afternoon EPA’s Deputy Assistant Administrator for Air and Radiation briefed stakeholders on the release of proposed air emission standards on industrial boilers (Boiler MACT standards).

The EPA’s proposal would impose stricter emission requirements through imposition of “Maximum Achievable Control Technology” to reduce mercury emissions, among other pollutants.

Manufacturers are closely following these regulations, for good reason. An industrial boiler is a closed vessel found in a factory, refinery, or large institution such as a hospital, that is fired to generate steam, usually used to expedite a manufacturing process. Industrial boilers are found in all industrial sectors, including the paper, chemical and refining sectors. Most operators fire their boilers by using natural gas, coal or biomass.

The proposal will be subject to a 45-day comment period following its publication in the Federal Register. Manufacturers are currently reviewing the proposed rule and related documents and will work through the NAM’s Air Quality Task Force to develop comments. EPA documents related to the proposal can be found at www.epa.gov/airquality/combustion.

Tell Us What You Think

Send us your feedback, ideas and insights on manufacturing or the new *Member Focus*. E-mail Managing Editor Clare James Johnson at cjohnson@nam.org.





Workplace Solutions for Employee Health and Productivity

Employee health and wellness is a fundamental business strategy—not just a cost to manage. Manufacturers and other employers are lowering costs and improving employee health and productivity through innovative, integrated programs.

Attend the 2010 Integrated Care Summit, Oct. 13 and 14, in Washington, D.C., and:

- Learn best practices in worksite health promotion and wellness.
- Network with key benefits decision makers from the public and private sectors.
- Access top wellness and disease management provider organizations.
- Gain insight on emerging issues from nationally recognized speakers.

Learn more at IntegratedCareSummit.org or call (202) 737-5980.

Register for the Integrated Care Summit by Aug. 20 and **save \$100** on standard rates. This early bird offer is available to NAM members and members of NAM-allied associations.



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For more information, please contact Linda Rose at linda.rose@staples.com or 1-800-617-1712 ext 192. To register for the Staples Advantage program, visit www.nam.org/staples.

STAPLES Advantage

A photograph of a modern manufacturing facility. In the foreground, there is a complex assembly line with various mechanical components and a curved conveyor belt. A worker in a white cleanroom suit and hairnet is visible in the background, standing near a staircase. The environment is clean and well-lit, typical of a high-tech manufacturing plant.

DID YOU KNOW?

Manufacturers Perform 50%
of the R&D in the United States

 NATIONAL ASSOCIATION OF
Manufacturers

Leading Innovation. Creating Opportunity. Pursuing Progress.

www.nam.org