

State of Manufacturing Address at Rice University (Houston Texas)

February 18, 2015

Hello, Houston! Thank you for that warm welcome – and thank you, Ken [Medlock] for such a generous introduction and for your leadership of this distinguished institution. And thank you and the Center for Energy Studies for hosting us this morning.

I want to also thank Tony Bennett, President of the Texas Association of Manufacturers, for joining us this morning. Tony and his team are tremendous advocates for manufacturing and are one of our key allied partners in this state.

Manufacturers need all the strong voices we can muster. That's why it's also great to have with us several champions of manufacturing in the United States, including some of my bosses at the NAM:

- NAM Board and Executive Committee member Mike [Michael J.] Graff, President and CEO of American Air Liquide and
- NAM Board member Peggy [Margaret C.] Montana, CEO of Shell Midstream Partners and Executive Vice President, U.S. Pipeline/Special Projects, Americas.

There are so many more people I could single out. Thank you to all NAM members in attendance.

It's great to be here in the Lone Star State – to be here in Houston, the hub of the American energy renaissance – and to be with so many innovative leaders who understand that America wouldn't be what it is without manufacturing.

That's because without manufacturing, the story of this great and indomitable country wouldn't have been possible.

When we were torn apart by a bloody Civil War, manufacturing helped sew us back together.

When we were trampled beneath a devastating Depression, manufacturing helped us get back on our feet.

When we were tested by a world war, bravely fighting tyranny on two fronts, manufacturing helped arm the Arsenal of Democracy here at home that powered America into a new era of leadership.

When we were tripped up by the Great Recession and many wondered whether manufacturing in the United States was past its prime, we not only proved the doubters wrong, but have roared back even stronger.

In the past two weeks, since we began the 2015 State of Manufacturing Tour, I have seen our industry on the move in West Lafayette and Minneapolis, in Detroit and Chillicothe, in Cleveland and Olympia, in Spokane and Denver.

Today, although great challenges remain and new obstacles to our potential have affected this region significantly, the state of manufacturing is as resilient and robust as ever – and that's why, once again, America is rising.

I'm so proud to go to work every day leading the National Association of Manufacturers – the unified voice that advocates for the promise of manufacturing in America – because I'm proud to be associated with innovators and problem-solvers. That's what we do.

When manufacturers see a problem, they fix it. If they can't find a solution, they create it. That's who we are. And, by the way, isn't that the American story, too?

Manufacturing in the United States has succeeded because our industry and our solutions are grounded on four fundamental values – values that also happen to be the foundational and unifying principles of the exceptional country we love.

The first of these is free enterprise: market forces that drive innovation and growth better than any other system ever conceived.

The second is competitiveness: our ability to invest and expand markets and succeed in the global economy.

The third is individual liberty: the creativity and entrepreneurship unleashed by protecting, defending and advancing the basic freedoms enshrined in our Constitution and Bill of Rights.

And the fourth is equal opportunity: our shared belief that every one of us, if given the chance, has the potential to prove we can contribute to the success of our companies, our communities, and our country.

These values unite all of us, even at a time when our country seems more divided than ever. And they can help move manufacturing to new heights.

Manufacturers in the United States hold fast to these principles because we're Americans with a deep sense of responsibility. We lead by example.

Don't get me wrong – this sense of duty we feel isn't grounded in patriotism alone. It's also about getting things done. This is very much about economics.

Look at manufacturing's direct impact on the economy. We are creating more jobs, making more products, and making them better than ever before. Every year, manufacturing contributes more than \$2 trillion to the American economy – one of every eight dollars in that economy.

The more than 870,000 Texans who are building cars and producing chemicals, paper and petroleum Americans use every day – you are responsible for this state's \$233 billion manufacturing output. That's 15 percent of Texas' total output. And you've added 1.58 million workers since the recession – the most nonfarm payroll growth in the nation.

Yet we can't underestimate manufacturing's *indirect* influence, too: Manufacturing has the biggest multiplier effect of any industry. Every manufacturing dollar in America adds one dollar and thirty-seven cents to the economy – nothing else comes close. What a great return on investment that is.

Manufacturing improves people's lives not just through the products we make, but through the economy we strengthen. You simply can't have a strong service sector, financial sector or education system without thriving manufacturing.

So you can see why manufacturing has a disproportionate responsibility to keep our economy humming.

But there's another side to this coin – and that's what I want us all to think about and speak up about and advocate for. All of this good news also means that manufacturing faces a disproportionate share of the burden of government regulations. That doesn't just matter to CEOs and workers – it matters to every single American consumer, family, and job-seeker.

We all suffer when our policies don't match our principles.

Now, the price of oil and natural gas– I don't need to tell anyone in this room the effect this is having, and can have, on manufacturers. For some, there's opportunity, particularly for consumer items. For others, many here, the uncertainty and the risk to investment are significant.

But one thing is certain. The last thing we need is keeping a status quo in effect that otherwise slows us down. So let's get rid of the obstacles that make our country less competitive than we can be – and make our businesses less able to overcome the challenges of this day. Let's get the job done, starting with achieving a sane regulatory environment.

Nothing is more important than the health and safety of our workers and consumers. No question about it. But to the extent that we need regulations, they need to be fair and transparent—not controlled by special interest groups. Today's system is unnecessarily complex and inefficient. It costs small manufacturers nearly \$35,000 per employee per year. And as you know, every dollar that goes to compliance is one that doesn't go into a worker's paycheck—and comes out of a consumer's pocket.

So we have to streamline and simplify the system. We have to increase accountability. And we must insist on better analysis of the benefits and costs when they're necessary. Because every regulation, well-meaning or not, increases the cost of doing business.

For starters, just look at the Administration's regulatory agenda. So many of this Administration's regulations, and most recently its regulations on greenhouse gases, would limit fuel choice, increase energy prices, and make power less reliable.

It doesn't have to be this way. The Obama Administration has chosen ideology over balanced regulations and U.S. competitiveness. Instead of recognizing that other nations will continue to produce greenhouse gases at far greater rates than the United States, it is unilaterally sending more production to these countries. In short, the United States will sacrifice its economy and harm manufacturing in America.

This makes the Environmental Protection Agency more than an agency charged with ensuring clean air and water. It makes it the regulator of the entire U.S. economy.

And the consequences of its new ozone standard – potentially the most expensive regulation in U.S. history – will be no less severe. In Texas, this proposed regulation will cost billions of dollars and thousands of jobs, while jeopardizing advances already under way. What am I talking about? According to the Greater Houston Partnership, over the past decade, at the same time that Texas has experienced population growth and a booming economy, the decline in Texas cities' ozone levels have been double the national average: 24 percent to 12 percent. And Houston ozone levels have decreased 18 percent over that same time frame.

You've spent a whole lot of time and money to make sure Houston meets these aggressive federal standards while continuing to thrive. And now, just as that goal comes into reach, the Administration is changing the rules and putting you back in the penalty box.

Nationwide, this standard could shut down manufacturing facilities and force manufacturers to scrap expansion plans – all of which harm growth.

Livelihoods and groundbreaking innovations by businesses to meet the next generation of energy and environmental challenges are at risk. We cannot afford an unworkable and unwise ozone standard.

The NAM represents over 14,000 manufacturers, from multinational corporations to family businesses all along Main streets. Those family businesses ask me all the time: how can we make the government understand that their regulations hurt small businesses more than anyone?

These regulations exacerbate volatilities in the market and erect barriers to seizing a historic opportunity on energy, that could power our economy and secure global leadership for generations to come. America has an unprecedented and incredible global advantage in reliable and affordable energy, and it's driving manufacturing's resurgence.

If we're going to keep building on our strength, and creating jobs with the potential that energy exports represent, an "all-of-the-above" energy approach that taps every resource we're blessed with here at home is the only realistic choice. We can make the United States energy secure and North America energy independent. Manufacturers use one-third of the energy produced in America, so this is one of those problems we have a strong interest in solving.

For manufacturers, natural gas is a critical component of an "all-of-the-above" energy strategy.

The nation's natural gas boom has sparked our renewed industry. The revolution in unconventional oil and natural gas has supported 2.1 million jobs and contributed more than a quarter of a billion dollars to America's economy. In 10 years, researchers predict those numbers to grow to 3.9 million jobs and more than half a billion dollars in GDP.

Manufacturers will benefit too: experts say that by 2040, the shale gas boom could create 1.4 million new manufacturing jobs in the United States and the lower energy and feedstock costs will save manufacturers \$34 billion every year.

There are hundreds of new projects coming online, backed by more than \$100 billion in capital investment, much of it geared toward export markets. These are the primary building blocks for a wide range of manufacturing sectors like fertilizer, plastics, rubber, building and construction, paint and coatings, automotive, and electronics.

And just as an abundant domestic supply of natural gas provides opportunities for manufacturers to increase their competitiveness, construction and operation of major natural gas-related infrastructure – pipelines and liquefied natural gas (LNG) export terminals – provide major opportunities for manufacturers up and down the supply chain. Manufacturers here in Texas are already taking part in the supply chain to support facilities under construction. Many other manufacturers across the country have made investments in their own businesses to position themselves to participate in these projects.

One of these manufacturers is Chart Industries, an NAM member. Chart is based in my home state of Ohio, and has facilities here in Texas and several other states. It plays a vital role in the LNG supply chain, and approving pending LNG export terminals would help it create a lot more jobs in your state and mine.

The United States has the opportunity to secure our global energy leadership – we just need to act. To streamline the permitting process, to expedite the review process and to ensure that we are moving forward, not stalling, on the next generation of energy opportunity.

Getting the job-creating Keystone XL pipeline built is another great opportunity to seize. There are no more excuses.

Altogether, the combination of oil, natural gas, coal, wind, solar, nuclear, and other sources will mean more jobs, lower utility bills, and more growth across the board.

Manufacturers are doing our part. We're making our products and the places where they're made more energy efficient. We're leading the way on recycling and reducing waste.. And we'll continue developing sustainable solutions that power our economy and create jobs here at home.

But we can't do it alone. Americans need an energy policy around which manufacturers can plan – one that incentivizes, not inhibits, innovation.

Then, of course, there are taxes. America leads the world in a lot of ways – ways we're all proud of. But the highest corporate tax rate on Earth? That's not a distinction to brag about. It's a problem to fix.

We can start meaningful and long-overdue reform by making the research and development tax credit permanent. And we can continue by implementing a pro-growth tax plan with lower tax rates for the manufacturers of all sizes who lead our economy—and that includes the two-thirds of manufacturers who are taxed at the individual rate. The NAM's economists have found this plan would add a full percentage point to our GDP every year. That means more investment, more innovation, more jobs, more money in the paychecks of more middle-class working families.

Another choice our leaders need to make is about trade. Here's why: it doesn't matter what our manufacturers make if we can't sell it domestically – and internationally. That's one of the reasons the NAM was founded 120 years ago. And today, with 95 percent of the world's customers living outside of the United States, we need to be where they're buying.

Exports support more than one million jobs in Texas – more than any other state in the union. Texans trade with customers in more than 220 international markets. And more than 93 percent of your exporters are small- and medium-sized businesses, so a smart trade policy is the difference between growing those businesses and shutting their doors.

Time is of the essence. So an aggressive trade agenda – including passing Trade Promotion Authority – would give us greater access to the foreign markets we need. Here's a fact opponents of TPA don't like to repeat: trade supports millions of good-paying jobs here at home. And jobs linked to manufactured goods exports pay, on average, 18 percent more than other jobs. So what are we waiting for?

And when trade is the focus, a long-term reauthorization of the Export-Import Bank is a necessary step, as well. Here in Texas, the Ex-Im Bank supports \$24 million in export sales; over 1,500 companies, including nearly 900 small companies; and about 153,000 jobs. The choice for Congress is simple – for keeping jobs in the United States or sending manufacturing jobs overseas.

Of course, bringing goods to market isn't a challenge only overseas. The slowdown at our West Coast ports, while perhaps benefiting the Port of Houston, is decimating manufactures and retailers all across the country. We're talking about more than beads held up off the coast of California for Mardi Gras – we're talking about critical parts, products, and supplies delayed that affect manufacturing processes – and jobs.

The challenge of managing inventory is forcing manufacturers to limit or cut overtime and many businesses are keeping workers at home. That means millions of dollars in lost wages. It means families don't know how much the next paycheck will be—or even if the next check will come.

A 10-day shutdown at the West Coast ports could cost our country \$2.1 billion a day. That's why, for months, the NAM has called on stepped up involvement by this Administration. And on this tour, at every stop, I have been calling for the Administration to get off the sidelines. I'm pleased the President has responded to our call, and is finally stepping in, by sending the Secretary of Labor to try to break the deadlock in negotiations. But the slowdowns need to end now. This is about more than contract terms. This is about what's right and what's necessary to keep global commerce moving.

Beyond this challenge, too many of our ports, roadways, railways and runways are getting worse by the year and are in desperate need of repair. Just take a drive through most parts of America, on roads and bridges that were built for a bygone era.

The needs of business – both here at home and as we compete in the global economy – demand that the government invest in improving our aging infrastructure.

There are also a number of other ways to be as competitive as we need to be. Our health care system needs to reduce costs, increase options, and help employers and employees make

informed decisions. Policymakers should eliminate the medical device tax that doesn't just hurt manufacturers – it stifles research and development of medical advances that keep people healthy and safe.

Comprehensive immigration reform has to become a reality, not a wedge, if we're going to create opportunity for today's workforce and tomorrow's innovators. And because it's simply the right thing to do.

We also need to hold the National Labor Relations Board accountable and remind it of its role as a neutral referee. That's why the NAM's Manufacturers' Center for Legal Action has filed a lawsuit against the NLRB to stop ambush elections and its abuse of authority.

Diverse energy options, fair and transparent regulations, more competitive taxes, free and fair trade, 21st-century infrastructure, immigration reform, health care and legal reform – the menu is long because the moment is significant. But I'm confident we can do this – and do it in a way where everyone wins.

Why do I worry about whether our elected officials will get these critical questions right? Because I know our workers are the best and most productive in the world, and I believe they should have the best environment in which to innovate, invent, and invest.

This is not just about reviving an economy, but perfecting our union. It's about creating a new, brighter future for everyone, by dreaming it, by building it, and by making it – right here at home – as we've always done when we're at our best.

But here's the takeaway for today: That doesn't happen on its own.

Like any manufacturing process, we need to put the right pieces in place. As Secretary Baker would say, "We need to bridge the world of ideas with the world of action." That begins with the right public policy – one grounded in free enterprise, competitiveness, individual liberty, and equal opportunity, that advances manufacturing and keeps America as exceptional as ever – the world's best example of opportunity and optimism.

We need to generate ideas and designs, calibrate the technologies and develop the logistics – that starts with our business leaders, and our relationships with their workers, and with each other.

And, like with so many of the products we make, nothing happens unless we push the "start" button – and that starts with you – the work you do, the voices you raise, the quintessentially American values by which you live, and your support of manufacturing in the United States of America.

Thank you very much.