

Testimony of Ron Saxton
Executive Vice President and Secretary
JELD-WEN, inc.
Before the US House of Representatives
Committee on Energy & Commerce
Subcommittee on Commerce, Manufacturing and Trade

SUMMARY

Introduction - JELD-WEN, inc., a 50 plus year old company headquartered in Klamath Falls, Oregon, is one of the biggest window and door companies in the world with 20,000 employees across more than 100 locations in the Americas, Europe, Asia and Australia. In the US, JELD-WEN manufactures building products in 17 states, including two door facilities in Ludlow and North Springfield, Vermont. In the US, JELD-WEN employs approximately 9,000 people, with over 800 of those employees in Vermont.

Manufacturing Philosophy: Close to markets and sustainable - JELD-WEN is committed to manufacturing products close to our markets. When JELD-WEN first began, manufacturing close to markets where we sold our products made good economic sense as it saved money on product handling, shipping and customer service. Now, it not only makes good economic sense, but good environmental sense as it helps us minimize fuel consumption and reduce greenhouse gas emissions in shipping. JELD-WEN is very proud of the fact that we manufacture long lasting, energy saving windows and doors and utilize recycled waste materials, certified wood and environmentally friendly practices in our manufacturing processes. Our philosophy has always been that sustainability is good business and is a critical aspect of our manufacturing.

Impact of Housing Sector Downturn on JELD-WEN - JELD-WEN's primary market and job creation strengths are tied to the new housing construction market. New home construction creates both manufacturing jobs and construction jobs here in the U.S. While it has been a difficult 6 years for everyone in the housing industry, we do believe the future of manufacturing, particularly in our sector, is bright. The slow, but steady recovery in the housing market is already having a positive impact on our bottom line and we are hiring again.

What Happens in Washington Matters – The actions of Congress can literally make or break the manufacturing sector. Consistency and predictability with regard to housing policy, finance policy and regulatory policy are necessary to allow not just manufacturing companies like JELD-WEN, but also consumers, successfully plan for the future. Energy policy, in particular, significantly affects our industry, and products like ours that save energy need to be an important part of that policymaking exercise. Programs that encourage energy efficiency, like EPA's ENERGY STAR program, are key for our industry, but we have concerns about the direction that that program is going where it may end up causing more harm than good. Also, policies that encourage a stable, strong housing construction market are important for all of us, for first time home buyers and for companies like JELD-WEN that supply materials for home construction.

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Thank you, Mr. Chairman, Ranking Member Schakowsky, members of the Subcommittee and especially Congressman Welch for the opportunity to testify today. My name is Ron Saxton and I am an Executive Vice President of JELD-WEN, Inc. and also serve on the Board of the Window and Door Manufacturers Association and the Executive Committee of the National Association of Manufacturers.

I am pleased to be able to share my views today on the current state of manufacturing in the United States from the perspective of a 50 plus year old manufacturing company started in the western United States that has been able to grow into one of the biggest window and door producers in the world.

JELD-WEN began as a small millwork company in Klamath Falls, Oregon and now operates as one of the world's leading manufacturers of windows and doors. JELD-WEN has 20,000 employees across more than 100 locations in the Americas, Europe, Asia and Australia. In the US, JELD-WEN manufactures building products in 17 states and employs approximately 9,000 people. In the state of Vermont, we have over 800 employees in two door facilities in Ludlow and North Springfield.

The company's extensive product offerings include windows, exterior doors, interior doors and related building products that are sold globally through multiple distribution channels, including retail home centers, wholesale distributors and building products dealers.

Administration

JELD-WEN has been an ENERGY STAR Partner since 1998 and been awarded “Partner of the Year” in both the U.S. and Canadian ENERGY STAR programs.

From the beginning, JELD-WEN has made a commitment to manufacture products close to our markets and we continue to do so. The United States is our largest market and our home. In the early days, manufacturing close to markets where we sold our products made good economic sense as it saved money on handling, shipping and customer service. Now, it not only makes good economic sense, but good environmental sense as it helps us minimize fuel consumption and reduce greenhouse gas emissions in shipping. JELD-WEN is very proud of the fact that we design and produce long lasting, energy saving windows and doors and, where possible, utilizes recycled waste materials, certified wood, and environmentally friendly practices in our manufacturing processes. Our philosophy has always been that sustainability is good business.

Well before the term "sustainability" was popular, JELD WEN adopted an ethos that sustainability, or the efficient use of our natural resources, was a critical aspect of our manufacturing. For instance, one of our most integrated operations produces windows and doors, utilizing wood shavings from our window frame manufacturing to create our doorskin products in a neighboring facility. This facility has been using that sustainable technique for decades. Essentially, we use a waste product from one application to create a valuable, beautiful product next door. We pursue sustainability not because of any government mandate, but because it makes good business sense.

Vermont is an example of our commitment to the US market. As I mentioned earlier, our two facilities employ over 800 workers in the state in one of the country’s largest concentrations of door industry jobs. The doors we manufacture in Vermont supply the New England building products market. We have had the pleasure of having Rep. Welch visit our Vermont operations and appreciate the great work he has done on our behalf.

While JELD-WEN sells product into commercial applications and is a leader in products for home remodeling, our strength as a company and a job creator is also intimately tied to the new housing construction market. New home construction creates both manufacturing jobs and construction jobs here in the U.S.

It has been a difficult 6 years for everyone in the housing industry - builders, suppliers and consumers. JELD-WEN has worked incredibly hard to maintain our excellent and dedicated workforce and supply high quality, energy efficient and affordable products, but it has been a struggle with the steep decline in housing starts.

What is the future of manufacturing in the United States? We see a great future – the slow, but steady recovery in the housing market is already having a positive impact on our bottom line and we are hiring again. However, as you are well aware and has been repeated over and over again by manufacturing and other types of American businesses, what is done here in Washington can have a positive or disruptive impact on our industry.

Consistency and predictability with regard to housing policy, finance policy and regulatory policy are necessary to allow not just manufacturing companies like JELD-WEN, but also consumers, to plan for the future. While we, at JELD WEN, have thoughts on how to improve housing starts, I want to use my short time today to highlight a couple policies that have significant impact on JELD-WEN and our industry in the energy efficiency area.

Our focus is on selling residential doors and windows for both remodeling and new construction. In the remodeling arena, energy efficient doors and windows are very important products. They are important to companies like JELD-WEN that manufacture and sell them, but they are also an important part of the U.S. energy debate. To illustrate this, consider that much of the existing housing stock in the United States uses single pane windows manufactured prior to the late 1970's. The need for, literally, dozens of new power plants could be avoided if America was more focused on replacing the almost one billion single pane windows in older homes with new, modern energy efficient windows. Combine that with the number of American manufacturing jobs, American shipping jobs and American installation jobs created by such an initiative and very smart American energy policy could also create economic opportunity. Clearly, JELD-WEN would benefit from such a program, but a broad commitment to improving the energy efficiency of existing housing would be a boon to American employers and consumers well beyond window and door companies. Indeed, the not too distant past shows how government action can move markets.

In 2009, at the height of the housing collapse, Congress passed a significant two-year tax incentive for a certain class of very energy efficient residential windows. At a time when the housing construction market was

severely contracting, this incentive attracted consumers to energy efficient products. It made consumers take a second look, not just at windows, but at other energy efficient elements of the home envelope like insulation, and appliances like furnaces. That incentive allowed the market to refocus on the remodeling and rehabilitation market. It allowed manufacturers like JELD WEN to save jobs that otherwise would have been lost because of the dramatically reduced demand for housing. While it was one small part of a very large and controversial bill, the 25c tax incentive served to both preserve jobs and allow for an important bridge to better times. We also note that bipartisan efforts in the 112th Congress to utilize incentives beyond the tax code have been led by members of this committee, most notably Representatives Welch and McKinley. We hope that you will continue that effort in the 113th Congress.

A good energy policy is also a good jobs strategy; however, misaligned energy policy, even if well intentioned, can hamstring growth and diminish job creation. Having been an ENERGY STAR partner and strong supporter of the program for many years, JELD-WEN is very concerned that recently proposed changes to that program, relative to our products, are a mistake for consumers and homeowners, as well as manufacturers.

ENERGY STAR for windows has been a phenomenally successful program within the Department of Energy and now the EPA. For decades, it has pointed the consumer toward the best and most cost-effective energy saving products for the home. Through active collaboration with industry, the federal program has offered a voluntary and informative system that has promoted energy efficiency, consumer economic benefit, and encouraged manufacturing in the United States. In short, it has emerged as a government program the American people trust and American manufacturers and distributors actively promote.

Today, the EPA is considering changing the criteria for ENERGY STAR rated windows to a point where there is no realistic cost-effectiveness for consumers, and we fear the program will become irrelevant at best. We are concerned that the agency has become enamored with pushing technological advancements for products that make no sense for consumers. If that is correct, a long-respected consumer guide to sensible energy efficient products could be lost. We are working diligently with the EPA to fix this issue, but a standard that does not recognize a

balance of cost effectiveness with energy efficiency threatens to dramatically and negatively impact an extraordinarily popular and effective voluntary program.

Good energy policy also requires collaboration between the private sector and government. In 2011, the Governor of Oregon and the legislature were working on a bill to enable K-12 schools across the state to access low interest financing for school building energy efficiency retrofits. The Governor and members of the legislature approached JELD-WEN, the largest private manufacturer in the State, and sought out our expertise in energy efficiency product manufacturing, building envelope technologies and the construction market to help them make sure the proposed program would get the most bang for the public buck, improve the learning and teaching environment in the school buildings and create economic benefit to the State. Again, there was no mandate, and we didn't offer our help and advice just because we thought we could sell more windows, but because we saw a good policy that we were happy to help make even better.

In closing, I want to reiterate just two points: First, a stable strong housing construction market is important for all of us, from my son looking to buy his first home, to companies like JELD-WEN that supply materials for home construction. Second, there is an important and constructive role that the government can play in energy efficiency if done with a light hand. EPA's ENERGY STAR program for windows has the potential to be a very positive factor in both our country's energy and construction policies, but EPA is currently focused on an approach that will both diminish national energy conservation goals and do great harm to construction, and therefore manufacturing, activity.

I thank Congressman Welch for this invitation and for his support of JELD-WEN in Vermont and I thank the committee for listening to my testimony.