NATIONAL ASSOCIATION OF Manufacturers

Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Drew Greenblatt
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Marlin Steel Wire Products, LLC
on behalf of the National Association of Manufacturers

before the Subcommittee on Commerce, Manufacturing & Trade
of the Committee on Energy & Commerce
U.S. House of Representatives

"Made in America: Innovations in Job Creation and Economic Growth"

March 3, 2011

COMMENTS OF THE NATIONAL ASSOCIATION OF MANUFACTURERS
BEFORE THE
SUBCOMMITTEE ON COMMERCE, MANUFACTURING AND TRADE
COMMITTEE ON ENERGY & COMMERCE
U.S. HOUSE OF REPRESENTATIVES
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Good morning, Chairman Bono Mack, Ranking Member Butterfield, members of the subcommittee. My name is Drew Greenblatt, and I am president of Marlin Steel Wire Products, LLC, based in Baltimore, Maryland. I appreciate the opportunity to testify today on behalf of the National Association of Manufacturers (NAM), the nation's largest manufacturing trade association. We represent some 11,000 member companies and affiliates in all 50 states, comprising businesses in all industry sectors and of all sizes.

We heartily support your committee's emphasis on job creation, because manufacturing means jobs. Manufacturing also means opportunity, innovation, security and economic growth. To compete on a global stage, manufacturing in the United States needs policies that enable companies to thrive and hire locally. Growing manufacturing jobs will strengthen the U.S. middle class and help America rebound from the deep recession.

Last year, the NAM produced a policy guide and call to action to accomplish those goals – our "Manufacturing Strategy for Jobs and a Competitive America." This strategy provides clear recommendations for strengthening America's manufacturing sector in the face of intense global competition.

The United States is the world's largest manufacturing economy, producing 21 percent of global manufactured products. U.S. manufacturing alone makes up 11.2 percent of our nation's GDP. More importantly, manufacturing supports an estimated

18.6 million jobs in the U.S. – about one in six private-sector jobs. Manufacturing jobs are high-paying jobs, too. In 2009, the average U.S. manufacturing worker earned $74,447 annually, including pay and benefits – 22 percent more than the rest of the workforce.

Of course, the title of today's hearing – "Made in America: Innovations in Job Creation and Economic Growth" – raises issues that are close to my own heart. Marlin Steel Wire is a leading manufacturer of custom wire baskets, wire forms and precision sheet metal fabrication assemblies – all produced entirely in the United States. Our customers come from the pharmaceutical, medical, industrial, aerospace and automotive industries all over the world...In all, we export to 34 countries. Twenty-five percent of Marlin Steel's employees are mechanical engineers or designers. The innovative ideas from the engineering team propel success at Marlin Steel.

Like so many other manufacturers, my company succeeds through innovation, investment and the hard work of our dedicated employees. Even as Marlin Steel Wire has invested in automation to improve productivity and quality control, we have also added employees.

When I bought the company in 1998, we did about $800,000 in sales with 18 workers. Last year was our most successful one as a business, as we did $3.9 million in sales, exporting to more than 30 countries. Today, Marlin Steel Wire employs 25 people. Manufacturing does mean jobs! We pay well. Also, each of our employees has great health insurance and we pay for 100% of their college education. Our parking lot is double and triple parked and more than half of my employees own their own home. Manufacturing creates solid, middle-class jobs.

For many manufacturers in the United States, the economy is showing definite signs of improvement. In 2010, manufacturing output in real terms rose 6.6 percent, the fastest increase since 1997. This indicates a good pace of recovery, but nevertheless, output remains still 9 percent below the 2007 peak – indicating how serious the recent manufacturing recession really was. We should be doing much better.

Manufacturing also added about 138,000 factory jobs in 2010, the most since 1997. And, as you may have seen, earlier this week the Institute for Supply Management issued its latest ISM Manufacturing Report on Business, indicating that manufacturing growth had turned in its best performance since 2004.

But there's still a long way to go. Manufacturing lost more than 2 million jobs in the last recession, our recent gains in manufacturing employment only made up 6.2% of our losses, unemployment in the rest of the economy remains unacceptably high, and recovery is not just a matter of letting the business cycle takes its course.

The recovery of U.S. business occurs even as our competitors in Europe, Asia and South America aggressively seek new customers, markets and opportunity. Countries know that a strong manufacturing sector is a key to jobs, innovation and prosperity. They are strategizing for success in manufacturing and to improve their global competitive positions.

The National Association of Manufacturers believes the United States must also embrace this comprehensive approach. We must recognize that global competitiveness depends on a broad, interconnected set of policies on taxes, trade, energy, regulation and innovation.

We have collected these policies in the "Manufacturing Strategy for Jobs and a Competitive America." The strategy sets three broad goals:

- to be the best country in the world to headquarter a company;
- to be the best country in the world to do the bulk of a company's research and development (R&D); and
- to be a great place to manufacture goods and export products.

These are goals that should have broad, bipartisan support. In fact, in his State of the Union address, President Obama declared, “We have to make America the best place on Earth to do business.” Manufacturers agree. Now the challenge is to put the right policies in place to make that goal a reality.

The U.S. Must Be the Best Country in the World to Headquarter a Company

Manufacturing today is global and mobile. Companies often enjoy an array of attractive choices when deciding where to locate their headquarters, do their research or build new facilities. While the use of government incentives is commonplace today, a country’s or state’s business climate itself ultimately determines where a company will be located.

As a springboard for future economic growth, investment and jobs, manufacturers believe the United States must seek to be the best country in the world in which to locate a manufacturing company’s headquarters.

To do this, we need a national tax climate that does not place manufacturers in the United States at a competitive disadvantage in the global marketplace. A pro-manufacturing tax policy must first acknowledge that when Congress raises taxes, it makes manufacturers in the U.S. less competitive.

Marlin Steel’s tax rate is higher than its global trading partners like Canada, where companies pay perhaps half as much in taxes – 18 percent compared to our approximately 40 percent. The United States now imposes the highest or second-highest statutory corporate income tax in the world among developed nations, even as our competitors reduce their rates to improve their economic climate. Congress must reduce the corporate tax rate to 25 percent or lower without imposing offsetting tax increases.

More than 70 percent of American manufacturers are S-corporations that file taxes at the individual rate. We must institute permanent lower tax rates for individuals and small businesses. Our tax system must promote fair rules for taxing active foreign income of U.S.-based businesses.

We must also recognize that one of America's great competitive advantages is our dynamic labor market. Companies must move quickly to meet the demands of a rapidly changing marketplace, and the continuing expansion of federal mandates and labor regulations undermines employer flexibility. In addition, increasing costs discourage the hiring of new employees.

To encourage competitiveness, the United States should reject new federal regulations that dictate rigid work rules, wages and benefits and that introduce conflict into employer-employee relations.

Congress must also support health care reform that drives down costs. Above all, health care solutions must contain costs by building upon the existing employer-sponsored health care system without jeopardizing or mandating plan design. The health care law passed by Congress in 2010 must be continually assessed for its effectiveness, cost and unintended consequences. Regulations to implement this law must be fully transparent and must not add new employer mandates and costs.

The U.S. Must Be the Best Country in the World to Innovate

Innovation has long helped manufacturing in the United States maintain its global leadership. Between 2000 and 2006, manufacturing productivity increased annually by an average of 3.8 percent, primarily due to innovation and technological advances spurred by R&D. U.S. manufacturers perform half of all R&D in the nation, which drives more innovation than any other sector. To maintain this competitive advantage, tax provisions must be enacted that will stimulate investment and recovery, including strengthening the R&D tax credit and making it permanent. Manufacturers in the United States need the certainty and incentives provided by a permanent and robust R&D tax credit.

The federal government must continue its focus on basic R&D that expands the knowledge base, spurring private-sector R&D as well as commercial development. Innovation is served by robust funding for federal research agencies as well as financial support for public- and private-sector research.

To ensure that we have the skilled workforce necessary to ensure our economic competitiveness, manufacturers must be able to attract the best talent from here in the United States and from the entire world. Between 1995 and 2005, immigrants founded or co-founded 25 percent of all U.S. high-tech firms – companies that create new jobs right here at home. Our nation's immigration rules must recognize the value of employer-sponsored visas.

The United States Will Be a Great Place to Manufacture

An effective manufacturing strategy promotes domestic manufacturing that serves the U.S. and the increasingly integrated North American markets. It also supports companies that export and expand abroad to serve foreign markets. Manufacturing shipped a record $5.8 trillion in 2008 ($1.6 trillion in value added) and provided 11 percent of the nation's GDP. Manufacturers rely on overseas markets because the bulk (57 percent) of all U.S. exports of goods and services are manufactured goods. Exports of manufactured goods have driven the economic recovery that began in 2009. The growth of Marlin Steel Wire is based on our aggressive strategy of seeking new customers around the globe; as I mentioned earlier, we now ship our products to more than 30 countries.

Manufacturers need a level playing field. In today's global marketplace, manufacturers in Maryland are no longer just competing against Texas companies that compete against Georgia companies. We face competition from around the world. Foreign manufacturers often must comply with fewer regulations and have governments that use every tool at their disposal to give those companies a competitive edge, frequently at the expense of manufacturers in the United States. The solution is to increase access to foreign markets through trade agreements and to ensure the regulatory environment in the U.S does not put manufacturers at a disadvantage.

To do this, manufacturers need an international trade policy that opens global markets, reduces regulatory and tariff barriers and reduces distortions due to currency exchange rates, ownership restrictions and various "national champion strategies." Congress must enact pending trade agreements, and the Administration must negotiate additional agreements in the Pacific area and elsewhere.

Again, speaking from my own experience, one of Marlin Steel's core niches is selling custom stainless steel material-handling baskets to Japanese automakers. As we all know, Korean automakers have steadily increased their market share, and I want to sell our custom wire baskets to the Korean automakers as well as the Japanese like we did this week to Mazda. The U.S.-Korea Free Trade Agreement, if enacted, will help Marlin Steel compete on a level playing field with Korean wire basket suppliers.

In addition to leveling the playing field on trade, policies must help small and medium-sized manufacturers through technical aid and financial assistance programs that promote expanded exports.

Recent turmoil in the Middle East and the associated soaring price of crude oil reinforces – yet again – the need for aggressive development of America's domestic energy resources. Manufacturers support a comprehensive energy strategy that embraces an "all of the above" approach to energy security that will allow access to affordable energy. Such a policy should encourage production of baseload electricity – the dependable power that is critical to manufacturing processes – including traditional coal, hydropower and natural gas, nuclear and renewable and alternative fuels. Reducing our dependence on foreign energy by increasing domestic supply will help achieve this goal.

Congress should allow expanded production of oil and natural gas by lifting the moratorium on Outer Continental Shelf development and encourage development of shale gas. The Department of Interior on Monday issued its first new deepwater drilling permit in the Gulf of Mexico since last year's oil spill. This is a good first step, but there are still 14 deepwater permits pending review and approval. Offshore drilling is a significant part of the U.S. economy both in terms of generating jobs as well as creating a domestic supply of oil and gas. A recent study found that 125,000 jobs could be lost by 2015, while we stand to lose 680,000 barrels of oil by 2019 if the permitting delays continue to linger.

Manufacturers are reliant on our nation's vast interconnected network of roads, railways, airports, inland waterways and seaports that support and supply every sector of the economy. While many of our members are predominantly reliant on motor carriers to deliver finished products to their customers, manufacturers rely on air freight to deliver time sensitive and high-value cargoes, railroads for raw materials and finished products, inland waterways for efficient and bulk-sized movements and seaports for export to overseas markets. The NAM believes that a renewed federal commitment to our nation's transportation infrastructure will help ensure our nation's manufacturing competitiveness. Transportation infrastructure can carry the weight of our economy safely, efficiently, and at a competitive cost to shippers and consumers alike. It underlies the very core of our economic prosperity.

While appropriate investment in our transportation infrastructure is critical, it is equally important that we not dramatically increase the cost of freight movement through ill-conceived Administration proposals like the attempt to further limit hours of service for truck drivers.

Regulatory Environment

With the 112th Congress, several committees in the House of Representatives have began serious scrutiny of the impact of overregulation on business and job creation. This subcommittee, for example, recently examined the burdens that result from the Consumer Product Safety Commission's implementation of the Consumer Product Safety Improvement Act. That's a major area of concern for many of our NAM members, and I thank you on their behalf.

Speaking more broadly, employers across the U.S., especially manufacturers, face considerable uncertainty that stifles economic growth and discourages hiring. For laws that affect manufacturers, there are often scores of burdensome regulations that impose substantial compliance costs – burdens often never anticipated by the lawmakers who passed the legislation.

The Small Business Administration recently estimated that the annual cost of federal regulations in the United States increased to more than $1.75 trillion in 2008. The portion of these regulatory costs that falls initially on businesses was $8,086 per employee in 2008. This study represents the best research available to identify the disproportionate burden placed on small business by regulation, and it is 36 percent higher than larger firms. Manufacturers bear the heaviest burden from environmental regulation, while facing similar or more stringent regulations in workplace safety, health, transportation, financial, trade, tax administration, homeland security and export controls.

President Obama recently issued an executive order instructing Executive Branch agencies to review existing regulations with a focus on removing unnecessary and redundant rules. He also instructed the agencies to give more weight to the need for economic growth and the concerns of small business.

Manufacturers welcome the stated intentions and await the regulatory relief that reflects them. Recent history provides some reason for skepticism. Based on data from the Government Accountability Office, 43 major new regulations were imposed over the previous two years. Collectively, the cost of these rules topped $26.5 billion.

Some of the most economically threatening regulatory proposals come from the Environmental Protection Agency (EPA). At the beginning of this year, the EPA began regulating greenhouse gas (GHG) emissions from stationary sources under the Clean Air Act. While only the largest facilities will be regulated at first, this action sets the stage for future regulation of much smaller sources. Manufacturers are also concerned that states are unprepared for the new permitting requirements, which will cause significant delays. This permitting gridlock will discourage manufacturers from building new facilities or expanding their current facilities, hurting competitiveness and discouraging job creation. Furthermore, additional facilities – including hospitals, agricultural establishments and even the smallest businesses – will be phased into the onerous permitting requirements in the near future.

Conclusion

Chairman Bono Mack, members of the committee, thank you again for the opportunity to testify today on the role that manufacturing plays in America’s economy, innovation and job creation. For many manufacturers in the United States, the recovery is taking hold. Orders are up, we are investing, and companies have plans to hire. But our optimism is cautious. Whether it’s the soaring price of oil or the Administration’s aggressive regulatory agenda, manufacturers recognize many risks to recovery.

We believe the best way to ensure continued economic growth and employment is by enacting a comprehensive and consistent set of policies that allow manufacturers to compete in the global marketplace – a strategy. Our recommendations are found in the “Manufacturing Strategy for Jobs and a Competitive America,” and I respectfully ask to submit a copy for the record.

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From: Drew Greenblatt <dgreenblatt@marlinwire.com>
Subject: **112th TNT form.pdf - Adobe Acrobat Standard**
Date: February 28, 2011 9:22:44 PM EST
To: "drew@greenblattnetwork.com" <drew@greenblattnetwork.com>

1 Attachment, 13.5 KB

Committee on Energy and Commerce

U.S. House of Representatives

Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

1.	**Your Name:** DREW GREENBLATT		
2.	**Are you testifying on behalf of the Federal, or a State or local government entity?**	**Yes**	**No** X
3.	**Are you testifying on behalf of an entity that is not a government entity?**	**Yes** X	**No**
4.	**Other than yourself, please list which entity or entities you are representing:** Natl Assoc. of Manuf.		
5.	**Please list any Federal grants or contracts (including subgrants or subcontracts) that <u>you or the entity you represent have received</u> on or after October 1, 2008:** [redacted] MidAtlantic Trade Adjustment Assistance Ctr. 2010 to 2012		
6.	**If your answer to the question in item 3 in this form is "yes," please describe your position or representational capacity with the entity(ies) you are representing:** Exec Board Member		
7.	**If your answer to the question in item 3 is "yes," do any of the entities disclosed in item 4 have parent organizations, subsidiaries, or partnerships that you are not representing in your testimony?**	**Yes**	**No** X
8.	**If the answer to the question in item 3 is "yes," please list any Federal grants or contracts (including subgrants or subcontracts) that were received by the entities listed under the question in item 4 on or after October 1, 2008, that exceed 10 percent of the revenue of the entities in the year received, including the source and amount of each grant or contract to be listed:** N/A		

Signature: [signature] **Date:** 2.28.2011