Statement of

Dyke Messinger

President and CEO, Power Curbers, Inc.

On behalf of the

National Association of Manufacturers

Submitted to the

U.S. House of Representatives

Committee on Education and the Workforce

January 26, 2011

Good morning Chairman Kline, Ranking Member Miller and distinguished members of the Committee. I appreciate the opportunity to speak with you today about the state of the American workforce, impediments to job creation and manufacturing strategies for jobs and a competitive America.

I am Dyke Messinger, president and CEO of Power Curbers, Inc. Power Curbers is based in Salisbury, North Carolina and employs 105 people in the United States. Power Curbers was established in 1953 and manufactured the first automatic curb machine in the world. I have been leading a manufacturing company for 35 years.

On behalf of manufacturers in the United States, I appreciate the opportunity to discuss impediments to job creation because manufacturing means jobs. Manufacturing also means opportunity, innovation, security and economic growth. Our nation's manufacturing employees are ready to preserve and build upon the greatness built by generations past and by those in manufacturing today.

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. To put this in context, this is about the equivalent of the entire populations of the five largest cities in the U.S.: New York City, Los Angeles, Chicago, Houston and Phoenix combined. Nearly 12 million Americans (or 9 percent of the workforce) are employed directly in manufacturing. 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.

But today's manufacturers face many challenges to our global competitiveness and job creation efforts. Proposals that increase taxes and impose new regulations will make business in the United States less competitive. These proposals will stifle the already weak recovery and destroy manufacturers' ability to create jobs.

Manufacturers need policymakers in Washington to embrace policies and solutions that will ensure that the United States is the greatest place in the world to be a manufacturer and to be a manufacturing employee, because manufacturing means jobs. We must focus on manufacturing strategies that have three key 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; and
- to be a great place to manufacture goods and export products.

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. Our tax system must promote fair rules for taxing active foreign income of U.S. based businesses. Congress must reduce the corporate tax rate to 25 percent or lower without imposing offsetting tax increases. Over 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.

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. We must also support initiatives at the Occupational Safety and Health Administration (OSHA) and other oversight agencies that encourage employers and employees to join in cooperative efforts for safer working environments. Employers' voluntary efforts to meet the needs of individual employees through flexible work schedules and benefit arrangements need to be recognized and promoted.

It is important that manufacturers are able to engage in positive and fair employee-employer relations. As employers, manufacturers face growing uncertainty in the area of labor law – especially from case decisions and regulations from the National Labor Relations Board (NLRB). While manufacturers greatly appreciate that Congress has rightfully recognized the dangers of "card check" legislation, any effort to implement the goals of that misguided legislation would be a threat to job creation. We continue to urge policymakers to uphold the principles of fairness and balance on which our labor laws have been developed for over seven decades.

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 research and development (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. Our nation's immigration rules must allow substantial increases in the number 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 2009-2010 economic recovery which is demonstrated by the fact that 75 percent of Power Curbers product is shipped overseas.

Manufacturers need a level playing field. In today's global marketplace, we are no longer competing only against businesses in our state or region or even the country. 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 ensure the regulatory environment in the U.S does not put manufacturers at a disadvantage.

To do this, manufacturers need a progressive 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. Trade agreements reduce the barriers to U.S. exports and create jobs.

In addition to leveling the playing field on trade, policies must help small and medium-sized manufacturers through expanded programs to help drive U.S. exports.

Manufacturers also need a comprehensive energy strategy that embraces an "all of the above" approach to energy independence 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.

Regulatory Environment

Employers across the U.S., especially manufacturers, face considerable uncertainty that stifles economic growth and prevents job creation. Burdensome regulations and government mandates do little to address this uncertainty. A regulatory environment needs to allow economic growth. For laws that affect manufacturers, there are often scores of 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.

This Administration is in the midst of proposing or implementing numerous regulations. If they are not substantially changed from their present form, they could cost millions of jobs and weaken an economy in a still fragile recovery.

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. Manufacturers appreciate President Obama's recent executive order to review federal regulations harming economic growth. Growing overregulation from Washington harms job creation and stifles economic growth. This call for a government-wide review of regulations and rules is an opportunity for the President to demonstrate results by eliminating unnecessary regulations already in the pipeline or delaying poorly thought-out proposals that are costing jobs.

Some of the most concerning regulatory proposals stem 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.

While we are pleased that OSHA has announced that it intends to withdraw its proposed changes to noise control requirements, manufacturers still face many burdens from this agency. Specifically, manufacturers are concerned with OSHA's plans to make it more difficult for employers to work cooperatively with the agency to comply with workplace safety standards. Through a series of both proposed regulations and sub-regulatory administrative actions, OSHA is in the process of gutting key components of compliance assistance programs that have been proven to help employers make their workplaces safer while allowing the agency to focus its resources more effectively.

Conclusion

I appreciate the opportunity to testify before the Committee today to provide an overview of some of the many challenges currently facing manufacturers. It is my hope that Congress can embrace strategies that enhance our competitiveness and foster job creation. I respectfully request permission to submit a plan created by the National Association of Manufacturers in June 2010 – the *Manufacturing Strategy for Jobs and a Competitive America.*