

Jay Timmons' Remarks to the Greater Houston Partnership, February 25

As Prepared for Delivery

“State of Manufacturing 2014: Making Progress”

Thank you for that introduction.

I can't think of a better place to discuss the state of manufacturing in America. Houston is America's number-one city for manufacturing, employing more than 250,000 people. I'm excited to be here, and I appreciate the Greater Houston Partnership for organizing this event and for making manufacturing its defining issue for 2014. Your leadership will help Houston continue to be a model manufacturing city that the rest of the country can emulate.

This city and this state show what can happen when you combine American free-market principles with ingenuity, innovation and a global outlook. Texas-based manufacturers account for 15 percent of the total output in this state and employ 900,000 people. You also generate 93 percent of the state's exports.

The vitality here in Texas is a microcosm of what we see happening throughout the country.

Three members of the National Association of Manufacturers' (NAM) Board of Directors—my bosses—are here: Peggy Montana of Shell Oil, Barry Caldwell of Waste Management and Evelyn Angelle of Halliburton.

Manufacturing output has increased 18 percent since the end of the recession in 2009. Last year, manufacturers contributed a record \$2 trillion to our economy. Our manufacturing sector alone is larger than the entire economies of all but seven countries, and manufacturing exports have reached an all-time high.

So today, I'm pleased to report to you that manufacturing in America is making a comeback. That's a tribute to the hardworking men and women who produce the goods and generate the ideas that power the U.S. economy as well as the global economy.

Manufacturing is the lifeblood of the U.S. economy. That's why President Obama regularly talks about the importance of manufacturing, and our industry has supporters across the political spectrum. Two top Texas Republicans—Gov. Rick Perry and Sen. John Cornyn—are strong advocates for manufacturing.

Blue-chip consulting firms like McKinsey & Company and the Boston Consulting Group are also touting the transformation that's underway in manufacturing. Many media outlets are onboard as well. A cover story last year in *Barron's*, the weekly financial newspaper, described the country's manufacturing “revival.”

They see what those of us in manufacturing have always known: this industry has driven the

innovation and created the opportunity that's made the American economy the envy of the world.

Like many of you in this room, I have manufacturing in my DNA. My grandfather left the family farm to work at the local Mead paper plant in Chillicothe, Ohio, during the Great Depression. He did so because he knew that manufacturing would allow him to provide a better life for his family. His was a lifetime career of 40 years—until he retired.

Today, manufacturing is a lot different than it was in my grandfather's day, but it still allows more than 12 million men and women to provide a good life for their families.

At the NAM, we represent more than 12,000 manufacturers who make that possible—manufacturers of all sizes and in all sectors who want to grow their business and create quality, good-paying jobs.

The question we confront is, "How do we ensure that manufacturing in the United States is robust, dynamic and ready to meet the needs of our economy and our workers?"

Consider this finding from the Manufacturers Alliance: Manufacturing employment can grow by more than 300,000 jobs every year and the economy can grow by an additional \$1.5 trillion if manufacturing's share of the U.S. economy rose from 12 percent to 15 percent—where it was at the beginning of the last decade.

So what do we need to do to achieve this goal? It all comes down to a focus on three specific areas: products, people and policy.

Products

Let me start with products. Manufacturers in America are making more products today and making them better than ever before.

While manufacturing declined as a share of the American economy for decades, it has grown in the past few years, even as the broader economy needed to be juiced up by the monetary equivalent of steroids.

Innovation is a big reason why manufacturing products like cars and trucks are making a strong comeback. The ability to adapt, innovate and improve is at the foundation of the U.S. economy, and it shows up in abundance in manufacturing in America.

One incredibly innovative company headquartered in Lexington, Kentucky, has an unforgettable name: Big Ass Solutions. This manufacturer has taken products that might seem ordinary—fans—and innovated around them. The company's insight was to couple energy-efficient motors with patented airfoil designs to move large volumes of air quietly and efficiently.

The company generated \$122 million in revenue last year. I've likely helped boost that number this year since I'm renovating my home and have bought four of its fans.

Innovation is complemented by perhaps the most important force boosting the manufacturing sector: the boom in domestic energy production, which is a byproduct of American-led innovation.

Affordable natural gas has made production more cost-effective for manufacturers across the board. The result is more jobs for workers and more economic growth for Texas and for the United States. One manufacturer with operations here in Houston—LyondellBasell—announced last month that because of the price advantage from shale gas, it reopened a methanol plant that had been closed for nine years.

That's just one example of how manufacturing is benefiting from affordable natural gas. \$90 billion of new private-sector manufacturing investments in the chemical sector are planned, according to the American Chemistry Council. \$90 billion! The shale revolution is big. You know that already. But more Americans need to understand how the shale revolution is going to transform everything we do in this country. It will drive a long-term comeback for manufacturing—unless Washington gets in the way.

So that's the good news. When it comes to manufacturers and manufacturing workers doing what they do best—making and selling products to the world—we're making solid progress.

People

However, there are challenges ahead, and the first one has to do with people.

The people involved in manufacturing are second to none. From the CEO's office to the shop floor, manufacturing attracts some of the most dedicated, hardworking, innovative and talented women and men in America.

Manufacturing attracts our nation's finest. Travis Atwood left the Army after serving two tours in Iraq. He returned home to Texas and got into manufacturing. He wanted to make things, and he found a perfect outlet in the oil and gas industry.

As Travis puts it, "Manufacturing provides the opportunity to do something that matters, to work with exciting technology to build a product that either helps people's lives or helps other businesses solve some of the toughest problems in the world right now."

Today, he's part of the Junior Officer Leadership Program at GE Oil & Gas, and he's currently in the middle of an eight-month rotation in the drilling division. He's able to translate the skills he received in the military—leadership, teamwork and more—to a job in manufacturing.

I've heard similar stories from other veterans as well. Whether it's leadership abilities or technical knowhow, manufacturers are catching on that the military offers incredible talent.

And more and more, young people are seeing manufacturing as an exciting and fulfilling career. There's a future in manufacturing, and they're seizing it.

Many people I talk to wonder if I would want my two daughters—ages four and two—to work in manufacturing someday. Given what we know about the industry, I think the better question is, “Why wouldn’t a parent want his or her child to have a career in manufacturing?”

Opportunities abound—so long as you have the right skills. Eighty-two percent of manufacturers report that they have jobs going unfilled because they can’t find people due to this skills gap.

What types of skills am I talking about? By and large, it’s the STEM skills—science, technology, engineering and math. For the high-tech jobs of today, workers need a foundation in science and math as well as the ability to think analytically.

To address America’s skills shortage, we’re taking the lead in several areas. One of our independent affiliate organizations—the Manufacturing Institute—runs a skills-certification program that enables American workers to receive a portable credential demonstrating the skills they possess.

We’re encouraged by a magnet school right here in Houston—the Energy Institute High School. I know a number of you in the room are involved in this impressive project.

This school gives students a quality education in the STEM fields, preparing them for the high-tech energy jobs that are driving our economy.

Another critical factor in the people equation is immigration reform. America needs comprehensive reform that starts from a fundamental premise: Ours is a nation of immigrants—the great melting pot.

The people who are seeking to become Americans yearn to be a part of that beautiful American dream and way of life that so many who were born here too often take for granted.

“Our strength comes from our own immigrant heritage and our capacity to welcome those from other lands.” Those words aren’t mine. They are Ronald Reagan’s, and they are as true today as they were 30 years ago.

Policy

Which brings us to the third area that influences the future of manufacturing in America—public policy.

The scope of policies that impact manufacturing—and the people who work in manufacturing—is incredibly broad and incredibly impactful. While there are many reasons to be optimistic about the future of American manufacturing, government overreach poses the biggest threat.

Let me tell you a story that may sound familiar. A die-caster—Chicago White Metal Casting—recently sent us a list of all the regulations with which he must comply. It was mind-boggling in its complexity. The company’s president estimates that one out of every five dollars of the company’s pretax profit is spent on complying with a dizzying array of new regulations.

And it's not just costs. Rules and regulations are often confusing, and sometimes they conflict. One small manufacturer recounted for me how an inspector at his facility told him a fire extinguisher was affixed too low on the wall, making it difficult for employees to see.

The manufacturer corrected the problem, just to have another inspector come to his plant weeks later to inform him that the fire extinguisher was too high and, therefore, violated the Americans with Disabilities Act.

These companies are not alone. One entire industry—energy—is at risk of suffocation by regulation. It seems like all we hear from this Administration and its allies in Congress is that they want to put a stop to the use of oil, gas and coal, when the focus should be on developing and maintaining secure and affordable energy.

It's no secret that the current Administration is happy to have the Environmental Protection Agency (EPA) set the nation's energy policy. New ozone regulations proposed by this Administration would practically halt manufacturing expansion and growth in America.

In addition, its New Source Performance Standards are both an effort to eliminate fossil fuels and a warning that all manufacturers will be targeted next.

We can't let that happen. And at the NAM, we are determined to ensure it does not.

The President could score a major victory for economic growth by approving the Keystone XL pipeline. It's now been under review for more than five years, which, by the way, is about two years longer than it took to build the Astrodome. That delay is stopping jobs from being created and exports from being shipped.

The State Department has found that the construction of the pipeline will not harm the environment. It issued that finding not once, but twice.

Instead of targeting oil, gas and coal as enemies, let's embrace the "all-of-the-above" energy strategy the President says he wants and get all the energy we can out of these resources as well as wind, solar, nuclear and every other source of power. In addition, let's keep pushing forward on the exciting innovations from companies like Waste Management that foster sustainability while making our economy less energy intensive and more energy efficient.

As the President and his team take more aggressive executive action, and as Congress has become more gridlocked, more of these regulatory battles are playing out in the courts. That's why the NAM has had to "lawyer up."

We're making a strong commitment to litigating on behalf of manufacturers through our Manufacturers' Center for Legal Action. We're involved in a number of cases against the EPA, including a Supreme Court case on greenhouse gas regulations.

We're also doing battle with the National Labor Relations Board, which seems to have a Top 100 list of how to pit workers against management. It seems to be doing everything it can to make it harder to run a business and create jobs.

We could de-escalate the legal sparring if Washington would pass fundamental regulatory reform based on the principles of transparency, openness and sound science. Democrats and Republicans agree that there's a problem with the regulatory system, so let's make it work better.

Until that happens, we'll keep heading to court.

There are other issues, too, where policymakers can do much more to help manufacturers take advantage of the opportunities before us.

Consider trade. Ninety-five percent of the world's consumers live outside our borders. That's 19 out of every 20 potential customers! We need a much more determined effort to expand trade and tear down barriers to our products.

We also need more free trade agreements to expand the reach of our values. Freedom, respect for property rights, market-driven growth—these are some of our greatest exports.

But right now, we're lagging on trade. The United States is pursuing two trade agreements, while countries in Europe, Asia and Latin America are involved in dozens of negotiations, which will exclude and disadvantage our manufacturers. America once led the world in opening trade opportunities, and it's time we led once again.

The President has called on Congress to pass Trade Promotion Authority legislation to help ensure the negotiation and implementation of two major market-opening agreements: the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. Republicans and Democrats should work together with the President to enact legislation that we need to open foreign markets for American producers. Every President since FDR has had trade-negotiating authority.

Promoting exports is another key to success abroad, which is why the Export-Import (Ex-Im) Bank must be reauthorized. The Ex-Im Bank makes solid investments that support American jobs. Other countries have similar financing mechanisms—or direct state subsidies—to support exports. Without the Ex-Im Bank, we would be unilaterally disarming ourselves economically.

Boosting our exports also depends on having open access to markets and vigorously enforcing trade rules to prevent our trading partners from gaming the system.

One of the rules that must be a top priority is the protection of intellectual property. America's competitive advantage is the ingenuity and creativity of our people. It's unacceptable for companies in foreign countries—like India—to outright steal our intellectual property and for their governments to aid and abet them. It destroys manufacturing jobs here and threatens America's economic strength. Our trade negotiators need to stand firm against any and all theft of America's intellectual property.

And who would have thought that in 2014 the United States could make energy an essential element of its trade agenda? We are in a position where we can boost our energy exports by expediting the approval of LNG and coal export terminals. Some are also advocating the export of crude. With the right policies, we can reduce our trade deficit, stimulate job creation and accelerate our move toward a goal that would have been unthinkable just a few years ago: energy independence.

Of course, opening markets is only useful if we have the infrastructure capacity to get products to these new markets and customers. If we are going to continue to lead the world in production, the fundamental arteries of commerce can't be crumbling and congested.

Whether it is infrastructure or any other issue that impacts our competitiveness, Washington also needs to adopt a long-term mindset when it comes to making policy. When businesses make investment decisions, they're looking at the long-term horizon.

Policymakers need to start thinking the same way. The recent congressional budget agreement provides a nice breather for two years. However, we need a long-term fiscal solution that puts the nation's finances in order and provides clarity to businesses.

That includes tax reform. America has the highest corporate tax rate among developed countries—a big reason why it's 20 percent more expensive to do business here than in any other country, before you even account for wage costs. That can scare off investment and lead some companies to operate in lower-tax countries.

Big businesses and small businesses—which often pay tax at the individual rate—need tax reform so they can be more competitive and have more certainty to plan their investments.

And perhaps no issue gives manufacturers more heartburn than health care. The Affordable Care Act was supposed to bring greater savings, more efficiency and more certainty to employers. I think it is pretty safe to say that health care reform is not living up to the hype.

Ninety-seven percent of manufacturers offer health coverage to their employees, but the health care law threatens their ability to provide these benefits by forcing them into a one-size-fits-all system.

The health care law isn't supposed to affect manufacturers with fewer than 50 employees, but I know one who was affected. Staub Manufacturing Solutions in Dayton, Ohio, which only has 22 employees, saw a 21 percent increase in health care costs last year, and it's projecting a 91 percent increase this year.

The company's president made this very obvious statement: "The Affordable Care Act is far from affordable."

If we don't do something to fix the law, between six and seven million fewer American workers will have employer-sponsored coverage over the next 10 years. That will be the new reality for our workforce.

The facts are startlingly clear. The law, as implemented, will hurt manufacturers and their employees. Take, for instance, what you are facing in additional fees and costs over the next three years: \$22.2 billion. That figure is simply added cost—it won't get that mom on your assembly line one more pediatrician visit or one more prescription filled for your shop floor manager's family.

We need real solutions that bring down health care costs and give manufacturers and other employers a greater ability to plan for the future, and the NAM is aggressively working with policymakers to see how we change the law to lower costs and expand access to health care.

It's a long list. But let's be clear—for America to maintain our mantle of economic leadership, we need policies at the federal level that help manufacturers seize the opportunities before us, not policies that hold us back.

At the NAM, we will continue to do our part to advocate pro-growth policies. Through our legal work, our relationships with Congress and new advocacy campaigns that leverage the power of social media and grassroots networks across the country, we'll make sure manufacturers' interests are heard and acted on in Washington.

When you consider where the economy is today, our growth—modest as it is—is a testament to the resilience of our free-market system and our way of life. That way of life began with brave souls determined to make new destinies for themselves in a new land.

Starting with 17th-century glassblowers in Jamestown, Virginia, manufacturing became America's backbone as we grew to become the most prosperous nation on earth. But like Thomas Jefferson, I prefer the dreams of the future to the history of the past.

Those early adventurers and settlers might be surprised by the way we live today. However, they would recognize the same vital spirit that compelled them to action—the drive to improve, the impulse to create, the determination to never settle for what is, but to strive for what could be.

This burning spirit has been at the core of America's values and of American industry for centuries, and it continues to power us forward into a future of our own making—a future defined by greater prosperity, by more progress and an expansion of freedom around the world.

America salutes the men and women of today's manufacturers who work every single day to ensure the strength of our nation's economy and the enduring vitality of the American dream.

Thank you for inviting me to be with you today.