



BUILDING UPON RELATIONSHIPS



by Sean D. Shields



Mike Karceski (Atlas Components) visited Rep. Donald Manzullo's (R-IL) office to discuss the Canadian softwood lumber dispute and convinced him to sign on to a letter to the Department of Commerce urging a proactive approach toward finding a long-term solution. "This was an incredibly productive meeting. Even though times are tough, I'm very glad I took the time to come here to DC," said Karceski.

at a glance

- ❑ At the 10th annual SBC Legislative Conference, component manufacturers and industry suppliers traveled to Washington, DC and visited with several members of Congress.
- ❑ This year, they lobbied lawmakers to address systemic problems related to the housing finance system and free up credit for builders.
- ❑ They also raised concerns about labor issues like EFCA and immigration reform, as well as the detrimental impact cap and trade energy legislation could have the SBC industry.

You win some, you lose some, you wreck some." No one would know better how to classify American car racing than Dale Earnhardt, a man who won seventy-six races and seven championships during his career. Interestingly enough, he could have just as easily been talking about what it has been like being a lawmaker during the current 111th Congress. When the Structural Building Components Association (SBCA) members visited their lawmakers last month in Washington, DC, the overwhelming feedback they got was that their elected officials are worn out.

More than one member of Congress exclaimed, "we've had our foot so hard on the gas pedal over the past year and a half...we're just exhausted." From multiple economic stimulus bills to financing two wars to an overhaul of health care to reforming the nation's financial system, the current Congress has enacted a lot of significant, and contentious, legislation. Truth be told, you could just as easily use the analogy of a heavyweight prize fight in the twelfth round as a grueling car race to describe the mood component manufacturers encountered in the halls of the U.S. Capitol.

With mid-term elections looming in November, it was clear many lawmakers were already looking forward to the campaign trail, particularly when majority control of both the House of Representatives and the Senate are potentially up for grabs. Within this environment, you might think that our industry's concerns regarding housing, labor, energy, transportation and trade would either fall on deaf ears or get swept aside till the next Congress convenes in 2011.

Not so.

Out of the many meetings manufacturers and industry suppliers held with their elected officials during the conference, some surprising details and promising opportunities were uncovered. More importantly, relationships with powerful people were forged and seeds were sown on important issues facing the structural building components industry. The following pages will walk you through the positions taken by the SBCA on these issues, along with feedback conference participants got from their lawmaker(s).

The goal going forward is that Congress finds a way to adopt solutions on these issues, either this year or next, that allow you to win and avoid the wreckage that appears to be around the next turn!

•HOUSING

Structural Building Components (SBC) Industry Position

The SBC industry manufactures many products used in residential construction, and therefore plays an important role in the promotion of home ownership and the growth of affordable housing. We believe it is important that Congress continue to take steps to further reduce foreclosures, increase lending, strengthen home ownership and, ultimately, restore housing as a cornerstone of our nation's economic strength.

FINANCIAL REFORM: U.S. Senators were just settling into debate on financial reform legislation while SBCA members stopped in to visit them. Most of the legislation is focused on consumer protections and making large financial institutions more accountable for their actions while further restricting some of their lending practices. Unfortunately, one important aspect of the nation's financial crisis was not addressed through this bill: housing.

In talking to members of Congress about financial reform, SBCA members found that, in general, the Republican party was pushing inclusion of reforms to the country's housing finance system, specifically the government-sponsored enterprises (GSEs) like Fannie Mae, Freddie Mac and the Federal Home Loan Bank System to ensure the flow of housing credit remains reliable and affordable. The Democratic leadership appeared to favor putting this kind of reform in a separate bill focused on housing.

If a housing-only bill were created, component manufacturers and suppliers argued that a heavy emphasis should be placed on solutions that will ensure responsible homeownership and help prevent foreclosures. In addition, they asked their lawmakers to support reforms that will improve oversight of our country's credit and mortgage lending institutions. The hope is that these kinds of reforms will help avoid the irresponsible lending and borrowing environment that contributed to the recent collapse of the housing market.

GREEN BUILDING: In recent years, Congress has been taking steps to encourage more environmentally-sustainable construction methods. For instance, many new federal office buildings and military construction projects have attained U.S. Green Building Council LEED certification. However, this exclusive endorsement of LEED by the federal government has as much to do with how successfully LEED has built name recognition on Capitol Hill as it does with how beneficial their system is to the environment.

Participants advised their lawmakers that as green building programs become more prevalent, it is important for the marketplace to decide which green building rating programs are most effective. Congressional efforts to impose mandates that give preference to one system over another will only serve to stifle further improvements to this increasingly popular approach to rating sustainable construction.

As SBCA President Steven Spradlin's column mentioned, one of the biggest problems with LEED for the structural building components industry is the fact it only recognizes wood certified by the Forest Stewardship Council (FSC). This issue resonated strongly with lawmakers from the southeastern states like Florida, Arkansas and North Carolina because FSC certified southern yellow pine is not currently locally available. This total absence of a regional supply means that component manufacturers who produce only wood components are hindered, due to high lumber costs given the restricted supply, from competitively bidding on many government and military construction projects.

Bottom Line to the Component Manufacturer (CM)

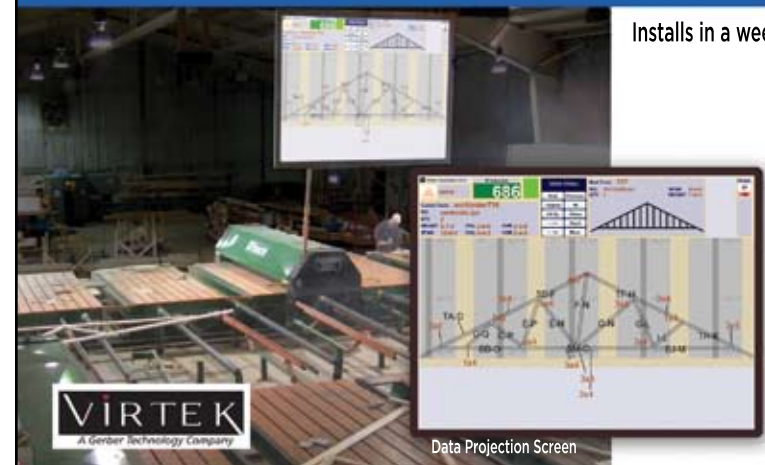
Both a finalized federal plan to restructure and support GSEs and a federal outline on reforms to the entire home lending system will restore much needed confidence to lenders who, in turn, will free up more credit for builders.



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•LABOR

Structural Building Components (SBC) Industry Position

As the housing industry begins to recover, we expect that the SBC industry will need to begin hiring employees to meet the growing demand. Our industry has significant concerns about providing adequate health insurance, preserving employees' rights to a private vote regarding union representation, and protecting employers from unfair hiring burdens due to an unworkable immigration system.

PRIVATE BALLOTS: As mentioned earlier, mid-term elections will be held in November to determine all 435 seats in the U.S. House of Representatives and 32 seats in the U.S. Senate. Most national polls and media stories have Democrats worried about their ability to retain enough of these seats to continue holding majorities in each chamber. This concern may be a powerful motivating factor for leadership in the House and Senate when they look for ways to prove to their constituents they have been responsive to their needs.

One troubling piece of legislation touted by one of the Democrats' largest constituencies, organized labor, is the Employee Free Choice Act (EFCA). In concept, this measure would replace the current process of private ballot union representation elections with a system called "card check," which allows union organizers and their peers to publicly gather support for the creation of a union.

SBCA members were quick to point out, some from personal experience, that this public process can also invite intimidation and threats in the workplace as well as harassment because an employee's decision for or against unionizing is public to everyone.

Most members of Congress have heard this concern from the employers in their districts since EFCA was introduced last year, and is the major reason why it wasn't quickly enacted. However, recent compromises on EFCA have centered on mandatory binding arbitration. Conference participants pointed out this approach is no better for business as it restricts the ability of employers and employees to negotiate mutually acceptable employment terms.

While some lawmakers insisted EFCA was dead and will not come up for a vote again this session, our industry will have to remain vigilant in monitoring other labor-related legislation, such as immigration reform, to ensure EFCA is not amended onto it at the last minute.

Bottom Line to the CM

EFCA legislation will have a detrimental effect on the relationship between employers and employees. Making union ballots public will erode relationships between employees on opposite sides of the vote. Binding arbitration will eliminate any incentive for employers and employees to reach a collective bargaining agreement.

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IMMIGRATION: Conference attendees received mixed messages on the possibility that Congress will still take up immigration reform before they leave Washington, DC for its August recess. The problem is that as the economy improves, the immigration rate is moving upward once again. Attendees argued that now is the time to address the broken immigration system, before immigration-related problems get out of hand.

First, they stressed immigration system reforms should provide additional tools for employers that are easy to use to ensure compliance with the law. Whether it is through the online E-Verify program or something similar, employers should be able to quickly and reliably find out if they can legally hire an applicant. Employers need clear guidance and assistance from the federal government in recognizing individuals who are not eligible to work in the U.S. before they are hired, trained and put to work in the facility.

In addition, they urged Congress to provide additional pathways to legal immigration, which will expand home purchases while ensuring U.S. employers can meet ongoing employment demands as the nation's economy improves.

Bottom Line to the CM

The current system places the burden on the employer to ascertain whether a prospective employee is eligible to work in the U.S. With the widespread availability of forged citizenship documentation, employers many times have invested months of training in an employee before it becomes evident they are in the country illegally. Through reforms to the system, the federal government can provide a better process for employers to verify an applicant's eligibility.

•TRADE

Structural Building Components (SBC) Industry Position

The SBC industry supports efforts to promote free trade. An unfortunate aspect of current U.S. trade policy is, in the two cases that affect our raw material supply—steel and lumber, countervailing and anti-dumping duties have been imposed with no consideration of the adverse impact on us as buyers of steel and lumber or on the overall housing market.

SOFTWOOD LUMBER: According to SBCA's bi-annual financial performance survey, lumber, as a raw material, makes up 40 to 50 percent of the cost of a manufactured structural building component. As you know all too well, U.S. softwood lumber producers alone cannot meet domestic demand, and Canadian softwood lumber imports account for 30 percent of construction lumber used in the U.S. However, the importation of lumber has been the sources of one of the longest-standing trade disputes between the U.S. and Canada.

This trade is currently governed by a seven-year agreement. However, it appears this arrangement is already unraveling, and once this agreement expires in 2013, there will once again be marketplace uncertainty if no enduring resolution is created in the meantime. Component manufacturers and suppliers impressed upon their lawmakers that only a long-term solution will allow U.S. companies the ability to compete in their marketplaces on a fair and equitable basis.

Fortunately, this argument was heard and embraced by more than one lawmaker. SBCA has drafted a letter urging the U.S. Department of Commerce (DOC) to proactively pursue negotiations with the Canadian provincial governments in order to find and agree to a long term softwood lumber trade solution before the current agreement expires. We are currently working with Congressional offices to have lawmakers sign onto this letter to show their support before it is sent to the DOC.

Bottom Line to the CM

U.S. trade policy has directly harmed the SBC industry by placing trade tariffs on imported foreign steel and softwood lumber. These duties created volatility in the marketplace and artificially increased the cost of your raw materials. Through raising awareness of the downstream harm some protectionist trade remedies have caused, our industry has been effective at convincing members of Congress to evaluate how U.S. trade policy is formed.

Steven Spradlin (Capital Structures) visited Rep. John Boozman (R-AR), who is running for the Senate seat currently held by Blanche Lincoln (D-AR). "Boozman was very receptive to many of our industry's issues, and I was impressed by his commitment to help his constituents," remarked Spradlin.



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• ENERGY

Structural Building Component (SBC) Industry Position

In considering various proposals to reduce the emission of greenhouse gases to address global climate change, find alternative energy sources and increase efficiency in energy consumption and generation, the SBC industry believes Congress should review the effect changes to energy policy will have on citizens' free choice of where they can live and work, affordable housing, and the quality and quantity of domestic jobs.

RESIDENTIAL HOUSING: While some attendees were visiting with the offices of their U.S. Representatives, those lawmakers were in the Capitol debating the merits of the Home Star Energy Retrofit Act, a bill designed to spur demand for more energy-efficient products. From that perspective, attendees explained that SBCs are the most environmentally responsible framing method available, due to their use of engineering, which allow homes and buildings to be designed to minimize material consumption and maximize energy efficiency.

The "Cash for Caulkers" bill, as it was dubbed in the media, will likely not have a significant impact on component manufacturers, unless you have a strong remodeling business. Fortunately, it approaches the challenge of improving home energy-efficiency in a beneficial way for businesses, using tax incentives (read: carrot) instead of cost-prohibitive penalties (read: stick) to spur consumers to use in-plant manufactured energy-efficient products and materials in building construction.

FUEL COSTS: Exactly one week after SCBA members visited their lawmakers, a new version of energy policy reform legislation was officially introduced by Senators John Kerry (D-MA) and Joe Lieberman (I-CT). "The American Power Act" contains over 1000 pages of proposed changes to the nation's energy policy, the most significant of which is the creation of a cap-and-trade program on carbon dioxide emissions. In theory, this program places a threshold or cap on the amount of emissions allowed on an annual basis. Entities that produce carbon dioxide, such as power plants and manufacturing companies, would purchase credits from the government allowing them to emit a certain amount of carbon dioxide. They can then buy additional permits on an exchange market to produce additional CO₂, or face the threat of a financial penalty. The problem is that it will hit the power plants the hardest, which will lead to higher energy prices.

SBCA members warned their lawmakers that an energy policy shift that will result in higher and more volatile fuel and energy costs will likely alter the make-up of construction projects due to rising transportation costs. In the long term, this move will result in a shift away from suburban residential and commercial development, the lifeblood of the SBC industry. In the short term, higher fuel and energy costs will make homes more costly to build and maintain, making it harder for the average American family to buy a home.

Conference participants encouraged their lawmakers to support measures that will increase our domestic supply of energy and encourage the development of and access to alternative fuels to provide relief from volatile fuel costs. The oil spill in the Gulf of Mexico will likely make passage of any energy reform difficult during the current session of Congress, but our industry will have to monitor this issue closely next year.



Joe Kannapell (MiTek Industries) visited Rep. Tom Perriello (D-VA), and ended up walking with him to the Capitol for a vote. Kannapell explained, "We come here to learn and discuss the issues that matter to our industry. Our lawmakers welcome us into their offices, and through our participation we make a real difference."

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Bottom Line to the CM

Higher energy prices caused by a cap and trade system will have a significant impact on affordable housing, and will likely have a long term impact on American's ability to afford living outside densely populated urban centers. Volatile energy and fuel costs will make it very difficult for manufacturers to estimate operating costs as well as accurate bid out contracts.

Schedule a plant tour with your legislator during the summer recess. We can help! Call Sean at 608/310-6728.



Steve Stroder (ProBuild) visited Rep. Steve Buyer's (R-IN) office during his first trip to lobby Congress. At the conclusion of the conference, Stroder commented, "It's evident that a lot is going on here, some of which has a direct impact on our business operations. This is a valuable exercise I think all component manufacturers would benefit from participating in."

• TRANSPORTATION

Structural Building Components (SBC) Industry Position

The SBC industry relies heavily on the ability to receive raw materials on a reliable basis and deliver their manufactured products to construction jobsites on time. Deteriorating infrastructure and heavy congestion on our roads and rail lines severely hampers our ability to effectively conduct business.

On September 30, 2009, the legislation that provided federal funding for transportation projects across the nation expired. Since then, Congress has passed supplemental funding bills to pay for projects already underway and several emergency transportation projects. However, the lack of a multi-year federal "transportation reauthorization" bill has made long-term transportation planning virtually impossible for most states. While many lawmakers expressed doubts that Congress will tackle this hefty task this year, SBCA members laid the groundwork for what will likely be contentious debate next year as lawmakers try to decide which transportation priorities will be addressed with taxpayer dollars.

With almost all of the products manufactured by the SBC industry transported from manufacturing to construction jobsites utilizing commercial motor vehicles (CMVs), good and reliable road infrastructure is a key part of the business. Road congestion and the deterioration of the quality of roads and bridges have made it more and more difficult to deliver products when customers need them.

In addition, the current patchwork of road weight and cargo size limitations, coupled with numerous permitting requirements requiring significant paperwork, can make compliance for component manufacturers very difficult and time consuming. Conference participants informed their members of Congress when they consider transportation reauthorization, not only should the legislation include significant increased road infrastructure funding, it should also include national mandates to standardize the oversize and overweight permit issuing process.

Bottom Line to the CM

The SBC industry relies heavily on transportation infrastructure, whether it is for the delivery of raw materials via rail and road or for timely delivery of their products to their customers. It is vital that Congress allocate sufficient funds to roads and rails to ensure these modes of transportation remain viable for conducting business.

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We Need to Fight for Our Position

Admittedly, while attendees talked about the issues and problems facing their businesses and the SBC industry right now, Congress is not ready to act on some of these issues. Perseverance is the most important thing our industry has learned through its grassroots advocacy efforts. In summer 2000, a handful of component manufacturers traveled to DC to educate members of Congress about the softwood lumber trade dispute between the U.S. and Canada. It took seven years of subsequent visits, long hours devoted to relationship building, and a lot of sound arguments in order to for us to have a voice and positively influence the softwood lumber agreement currently in place.

As another example, our industry has been talking with members of Congress and the White House about the importance of immigration reform since 2005. It can be a long, grueling race to the finish line where a bill finally becomes a law; and just like in a car race, there is a lot of hard work, preparation and jockeying that has to occur in order to be situated well for the final lap. If you haven't participated yet in the process, now is the time to get involved—the SBC industry needs your help educating lawmakers on these issues. Join in the "race" today, and help us with the planning and quick decision making needed to avoid the wreckage we see looming ahead. **SBC**

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