

NTMA

THE RECORD



ROMANCHUK SWORN IN TO SERVE NEW 2ND DISTRICT

Mark Romanchuk made history Monday as he was sworn in as the Republican state representative for the newly created 2nd District at the 130th General Assembly for the Ohio House of Representatives. —p8

NO TIME FOR CLIFF WORRIES; SOME CHIEFS KEEP SPENDING

Conventional wisdom holds that U.S. business executives are paralyzed with fear waiting for Congress and the White House to decide whether to let taxes soar and government spending plunge. —p13

2013 CONTRACT MANUFACTURING PURCHASING FAIR

May 16-17, 2013
Indianapolis, IN —p14-15

JOB SKILLS GAP? SKEPTIC SAYS FACTORS TELL ANOTHER STORY

The author says companies don't invest in the work force and demand more than ever from job applicants, including a willingness to accept insufficient wages. —p19



**BUILDING THE FUTURE
OF MANUFACTURING
ONE ROBOT AT A TIME**

DO YOU REMEMBER WHY YOU CHOSE A CAREER
IN MANUFACTURING? —p6

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2013 SMALL PACKAGE RATE INCREASES

With the New Year upon us, small package carriers UPS and FedEx have announced their annual rate increases. To help NTMA members like you make sense of these new rates, PartnerShip, the endorsed shipping management provider of the NTMA, put together a detailed analysis to learn what these rate increases mean for you and your business.

Visit PartnerShip.com/RateIncrease for the complete analysis. Below are some quick facts about this year's rate increases:



UPS RATE INCREASES IN EFFECT DECEMBER 31, 2012

- 4.9% average rate increase for UPS Ground (5.9% average increase -1% reduction in the fuel surcharge)
- 4.5% average rate increase for UPS Air (6.5% average increase -2% reduction in the fuel surcharge)

FEDEX RATE INCREASES IN EFFECT JANUARY 7, 2013

- 4.9% average rate increase for FedEx Ground and FedEx Home Delivery services (5.9% average increase -1% reduction in the fuel surcharge)
- 3.9% average rate increase for FedEx Express services (5.9% average increase -2% reduction in the fuel surcharge)

It's important to remember that the FedEx and UPS rate increase announcements were presented in terms of averages. You might think then that your 2013 small package shipping base rates with FedEx and UPS should go up about 4.9% for ground shipping and 3.9% to 4.5% for air shipments. If you guessed this way to forecast and budget your 2013 shipping costs, you might want to make some adjustments!

The FedEx and UPS average rate increases are just that – averages. The “average rate increase” is arrived at by larger rate increases on certain shipment types and lower increases on others. Like always, several factors will determine your real rate increase impact in 2013, among them your package characteristics (size and weight); the service you most often utilize (ground or air); and the zone to which you ship your packages. Be sure to visit PartnerShip.com/RateIncrease for more details on the 2013 rate increase.

As Your Shipping Connection, PartnerShip continuously works to provide you with money saving options for all of your shipping needs – small package, LTL freight, and tradeshow. Now is the time to take full advantage of the benefits available to you under the NTMA Shipping Program to help offset these carrier rate increases. For more information, visit PartnerShip.com/54NTMA, call PartnerShip at 800-599-2902, or email sales@PartnerShip.com.



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CHAIRMAN'S CORNER

ROGER ATKINS / NTMA CHAIRMAN OF THE BOARD

Happy New Year to each of you! I hope by now that we have the holidays behind us and we are beginning to re-focus on the tasks at hand for 2013. As I have been writing, it seems like each month our country is faced with some type challenge. As most business men and women know, if the country faces challenges most likely our businesses will as well. We ended 2012 on the fiscal cliff now headed in 2013 towards the monster known as the debt ceiling. Through the holidays we saw the very best of human kindness only to be shadowed by the worst of human tragedy.

As the backbone of our nation's economy, the entrepreneurial based companies, regardless of industries served, must rise again to the forefront in leading our nation through an ever changing political and economic landscape. Part of that leadership must revolve around personal leadership of our companies and the team members that work for us. It must include our involvement in the process, whether it is through joining forces together through Trade Associations like NTMA, or through your personal civic commitment.

NTMA's own Mark Romanchuk, a shop owner, did that by interjecting himself into the political arena and won the election in November to become a State Representative for the great State of Ohio.

Mark, committed to Small Business, Manufacturing and job growth, will be a great spokesman for all entrepreneurial based businesses. Again whether one jumps in with both feet like Mark, or joins together through Associations, the real point is we "all" must get involved. As Omar Nashashibi of the Franklin Partnership has told us for years, "If you are not at the table you are on the menu." Unfortunately that is some what funny, but true regardless at what table you chose to sit; Associational Boards, Community Economic Development Groups, local/nation business industry councils, and the list of opportunities goes on and on.

For NTMA the future direction on our member's behalf is clear, focused, and moving forward. The real test of our progress for both effectiveness and speed is the willingness of our member company's ownership and key leadership, to step up and be willing to set at the table on behalf of themselves, our members and our industry.

NTMA's focus on education/training, advocacy, technology, and industry partnerships avails many opportunities for members to sit at the table and to influence our association and industry. NTMA is not the focus, rather it exists to serve as the rallying point for our industry and to

supply the needed resources to carry out our combined direction of you the member. Alone, most companies cannot financially support such resources or open the doors to influence change in the focused areas mentioned above. There is strength in numbers and as the story goes about the individuals strands in a rope; any single strand can be broken, however many strands bound together cannot be broken. Ladies and gentlemen, the reality is that we continue to see the strength of our nation weakened one strand at a time. We can no longer afford to depend on others to protect, lead, or advocate on our behalves personally or professionally.

For NTMA to continue to be the rallying point of our industry, we need individuals willing to serve and to join forces with us for the good of all. We cannot look at, or navigate the challenges ahead alone, but must join together to rethread the strength of our industry and the important role we play in our nation's economy. It is time to step out and step up in supporting our association and industry with the same passion that has made you successful today. Many have gone before us to clear the way for us now and it is our time to give back and take the lead. Joining forces with other like mind leaders brings out the best in everyone and the

combined effort is what gets us all to the next level or through the next challenge.

In my early travels this year this new message came through loud and clear. In my recent visit to the North Texas Chapter I visited with member companies and leaders who are on the move. As a Chapter, they are moving together as witnessed by a gathering of 95-100 people packed together in a member company's shop surrounded by the latest in manufacturing technology taking about the future and the leaders of tomorrow. North Texas is planning for the future while working on today.

Just last week, I was reminded of the combined effort and synergies taking place among NTMA and our industry partners. I had the privilege to spend the afternoon with the President and key leaders of one of the major machine tool builders. We walked through my company and discussed the current and future needs and opportunities for the manufacturing industry. We discussed the growing Reshoring of products to the United States and the opportunities afforded those who are prepared. We discussed the importance of our growing relationship to capitalize on the future through new technology in machine tools, tooling, work holding, and manufacturing systems.

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THE RECORD

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For us to be successful it is going to take us all working together. The time is now. We need more members to lead the charge for today while preparing more leaders for tomorrow. We must all do our part and I passionately believe that NTMA can again be that rallying point of which we revolve. Again it is not about NTMA, it is about the resurgence and sustainment of US Manufacturing. I urge you to be a part.

I wish each of you a great and successful year and look forward to working hand and hand with you for the sake of us all. Let me personally invite each of you the 2013 MFG Meeting this March. Industry leaders from all over the nation will be there with the single focus of “manufac-

turing”. I hope to see you there and until then my commitment to you remains “Transforming for Competitiveness”.



ROGER ATKINS / CHAIRMAN

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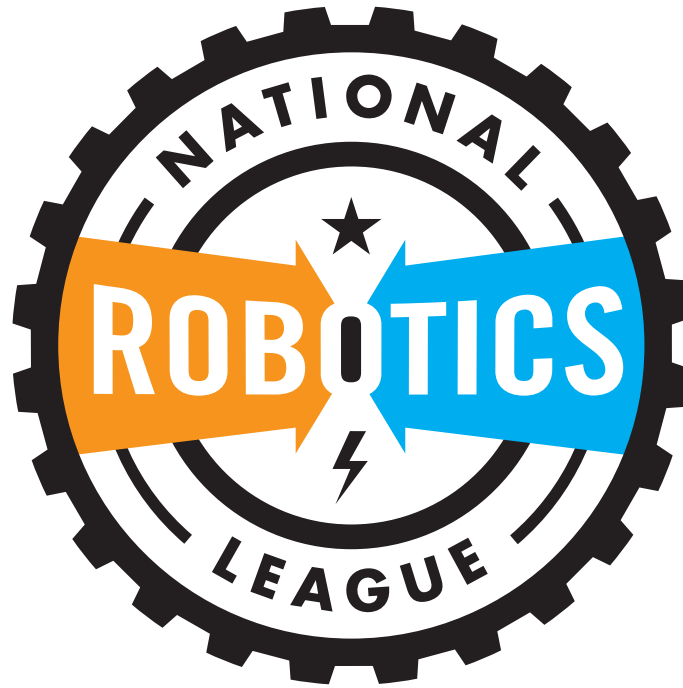
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In "born manufacturers" that connection is so strong, that even if when you haven't run a machine in years, or your CAD skills start to get rusty, you still think of yourself as a maker--someone who takes ideas and turns them into the physical objects that make our lives easier, safer and more comfortable. No matter how you spend your days, that initial spark that got you excited about manufacturing still burns brightly.

Members of the NTMA Robotics Team share that passion for our industry. In fact, we are so grateful for the life a career in manufacturing made possible; we've chosen to focus our efforts on ensuring the next generation has the same opportunities we were offered. Our goal is to ignite excitement and curiosity in kids who want to design and make

things, and show them how a career in manufacturing will help keep that flame burning brightly for years to come.

Like all good manufacturers, we've chosen a powerful tool to help us achieve our goal: The National Robotics League (NRL).

The NRL is a combat robotics program where students design and build remote controlled robots to face-off in competition. Through the process of robot building, students' imaginations are captured as they design, build and compete with their own robotic creations; and through this hands-on effort, gain practical knowledge of Science, Technology, Engineering, and Math - all essential skills for manufacturing.

By formalizing ties between competitor teams and manufacturing partners, competitors also get turned on to the career possibilities in manufacturing, and manufacturers build valuable industry-school links by helping competitors engineer a lean, mean, fighting machine. In other words, everybody wins.

WE CAN'T DO IT WITHOUT YOU

In order to reach every future manufacturer in the country, we need as many

industry leaders as possible to support this crusade. Are you ready to join us?

MARK YOUR CALENDAR


The best way to really "get" the value of this program and how it's changing public perceptions of manufacturing is to attend a competition. So if you are ready to see the future, plan to join us in Indianapolis May 18-19 to watch some of the best student-built robots in the country compete to see whose creation will reign supreme.

GET ON THE LIST

If you don't want to wait until May to get up to speed on what's happening in this program just e-mail the NRL Program Manager, Maureen Carruthers, at mcarruthers@ntma.org and ask to be added to the NRL e-mail list. You'll receive monthly updates about what's happening in the program and be among the first to know about new opportunities for manufactures to support (and benefit from) this program.

Together we can make manufacturing's future even brighter than its past!





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NTMA INSURANCE



Mark Romanchuk (R-Ontario) today was sworn in as a member of the Ohio House of Representatives for the 130th General Assembly. He represents the 2nd Ohio House District, which comprises all of Richland County.

Mark Romanchuk made history Monday as he was sworn in as the Republican state representative for the newly created 2nd District at the 130th General Assembly for the Ohio House of Representatives.

It is the first time a Republican has held the seat in 38 years. Romanchuk was in the first of nine groups of members to be sworn in by Ohio Supreme Court Justice Judith L. French.

"I'm feeling very excited, very happy to finally get to this point and get started and go to work," he said before the ceremony. "It's a new challenge for me and something new and something I'm really looking forward to. It's quite an honor to be here today and represent Richland County. I just can't wait to get started and do good for

ROMANCHUK SWORN IN TO SERVE NEW 2ND DISTRICT

By Lou Whitmire, News Journal

the county."

Winning the seat was Romanchuk's first run for public office.

Romanchuk said he has requested to be on five House committees including finance, public utilities, agriculture and natural resources, insurance and small business and economic development.

Romanchuk, 50, was joined at the ceremony by wife Zoi, campaign manager Marv Krinsky and his wife, Connie, and his legislative aide, Beth Florence. Grace Lenehan of Mansfield, who is serving an internship in his office, and Cory Odenkirk, an Ashbrook Scholar and his former deputy campaign manager, also attended the ceremony. Romanchuk's mother and sister were able to come to Columbus earlier in the day to celebrate with him.

An Ontario businessman, Romanchuk earlier said his first order of business will be ramping up vocational and technical training in Richland County to "get work-force needs to match business needs."

Looking forward, the owner of Ontario-based PR Machine Works and former director of North Central Ohio's Regional Manufacturing Coalition, Romanchuk said

he hopes to put a greater focus on manufacturing in the county. The industry, he said, is what "has made the county great."

November's race was the result of two factors: redistricting, and incumbent state Rep. Jay Goyal's announcement in May that he would not seek re-election. Goyal, D-Mansfield, was elected to the former 73rd District in 2006.

The new district follows Richland County lines exactly. That puts Romanchuk in charge of a new mix of registered voters, including thousands who live near Ontario or Lexington and have been represented by Republican Margaret Ruhl.

Romanchuk's new office is in the Vern Riffe Center for Government and the Arts, located at 77 S. High St. across from the Ohio Statehouse on the 11th floor. Romanchuk said Goyal passed on to him the district couch given to him by then representative Bill Hartnett.

Romanchuk can be reached at 614-466-5802 or by email at Rep02@OhioHouse.gov.



HEALTH CARE IMPLEMENTATION FAQ'S

The following covers how you will purchase health care in your state, what are the minimum insurance plan requirements and basic info for small employers. A lot is still unknown pending more guidance from the federal government but this is a very brief primer to start 2013.

WHERE WILL I BUY INSURANCE?

The health care reform law, formally known as the Affordable Care Act (ACA), established Health Benefits Exchanges that will function as new marketplaces where individuals and small businesses can purchase health insurance and, depending on income, individuals can qualify for premium tax credits and cost sharing subsidies. The government wants this to be a one stop shopping place for consumers to find, compare, and select a health insurance plan.

Under the law, the states had three options regarding the Health Benefits Exchanges:

1. State-Based Exchange – established and operated by state
2. Federally-Facilitated Exchange – established and operated by federal government
3. Partnership Exchange – established by federal government

but some operations done by state (plan management and/or consumer assistance, etc.)

States had until December to announce if they would establish and run a State-Based Exchange, they have until February 15 to decide if they will enter into a Partnership Exchange. As of Jan 3, 17 States and the District of Columbia have a State-Based Exchange plan already conditionally approved by the Federal Government, while two states have had State Partnership Exchanges conditionally approved. Five other states have also already said that they will pursue a Partnership Exchange. This leaves over half the country likely operating under Federally-Facilitated Exchanges.

To see the status of your state in the Health Benefits Exchange program, go to: <http://www.ncsl.org/issues-research/health/state-actions-to-implement-the-health-benefit-exch.aspx>

WHAT ARE THE MINIMUM INSURANCE PLAN REQUIREMENTS?

Federal Minimum Essential Health Benefits (EHBs)

ACA will require all plans cover minimum Essential Health Benefits in at least 10 areas (below). In addition, states will re-

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ROBOT MAYHEM RETURNS TO INDIANAPOLIS FOR 2013 NATIONAL ROBOTICS LEAGUE CHAMPIONSHIPS



Indiana will once again host mayhem in the ring when student-designed robot gladiators collide at the 2013 National Robotics League (NRL) Championships, the National Tooling and Machining Association (NTMA) announced today. The 2013 championships will be held on the Indiana University – Purdue University Indianapolis (IUPUI) campus on May 17-19, 2013. NTMA created the NRL, a robot combat competition, to help introduce a new generation of Americans to the advanced skills and sophisticated technology that mark manufacturing today. This is the third year in a row that the National Championships will be held in Indianapolis.

This year, NTMA's Robotics League is partnering with The 2013 National SeaPerch Challenge, a student-driven competition featuring sophisticated underwater robots that

will face off in the Olympic-sized pool at the IUPUI's Natatorium on May 18. The SeaPerch Program also provides students with the opportunity to learn about robotics, engineering, science, and mathematics – in this case, by building underwater ROVs as part of a school's science and engineering technology curriculum. The program is sponsored by the Office of Naval Research.

"NTMA is proud of its support for the National Robot League, which partners middle school, high school and post-secondary school students with our local member companies," said Maureen Carruthers, Program Manager at the National Robotics League. "The partnership allows the students to work with businesses as a team to build sophisticated robots designed to do battle with one another. What you see is a destruction-driven face-off of innovative ma-

chines that they've designed themselves – providing the students an invaluable opportunity to develop high-tech skills while stirring their interest in becoming part of the future of manufacturing and having a lot of fun in the bargain."

"The NRL initiative is important for the future of our industry," said Steve Tamasi, CEO of Boston Centerless in Woburn, MA. "The effort helps to change outdated perceptions of manufacturing. Instead, students get to see for themselves that our industry is defined by its innovative nature and the cutting-edge technology that we deploy every day. As our industry continues to gain ground in the U.S., we need more and more skilled workers to fill knowledge-based positions, and the process of generating that workforce of the future begins with efforts like these."



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**ROBOTS BATTLE IT OUT
IN INDIANA AT NRL
CHAMPIONSHIPS**

For Additional Information Please Contact:
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Kelly K. Schneider 1-574-220-9111
kschneider@ntma.org



quire other minimum required benefits as determined by that state (States have already submitted for review to the Federal Government which required benefits they want for plans offered in their state).

Federal Minimum EHBs:

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance abuse disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventative and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

STATE MINIMUM ESSENTIAL HEALTH BENEFITS (EHBS)

Each individual state had the ability under ACA to require a list of minimum essential health benefits offered under each plan in the state. These minimum requirements are on top of the 10 federal EHB categories and must be approved by the Federal Government which has received input from 26 States (In the other 24 States, HHS will

use the "largest small-group plan" as the benchmark for State EHB requirements.

To see what additional requirements are proposed for your state, go to: <http://www.ncsl.org/issues-research/health/state-ins-mandates-and-aca-essential-benefits.aspx>

WHAT IF I AM A SMALL EMPLOYER?

Employers with 50 or fewer employees will have at least three health insurance options in 2014:

- Offer a fully insured plan through either:
 - A Small Business Health Options Program exchange (SHOP)
 - The private (off-exchange) small group market
- Offer a self-funded plan, if allowed by state law, where essential health benefits requirements may apply
- Stop offering coverage; let employees buy through the individual market (penalties and subsidies apply)

SHOP EXCHANGES

The ACA established a requirement for all employers to cover their employees, offer them alternatives, or pay a fine per eligible employee not covered. The law established Small Business Health Options Program (SHOP), similar to Association Health Plans, which allow small businesses starting

in 2014 to shop, compare, and purchase a plan for their employees through their own SHOP exchange similar to the one for the individual market. Employers with fewer than 50 employees are exempt from new employer responsibility policies and do not have to pay a penalty if their employees get tax credits through an Exchange.

To get a general idea of what a SHOP exchange could look like and to find a Small Business employer health care plan currently offered in your state, start here to compare some options: <http://finder.health-care.gov/>

TAX CREDIT

If you have up to 25 employees, pay average annual wages below \$50,000, and provide health insurance, you may qualify for a small business tax credit of up to 35% (up to 25% for non-profits) to offset the cost of insurance. Starting in 2014, the small business tax credit goes up to 50% (up to 35% for non-profits) for qualifying businesses.

For more information on the tax credit, go to: <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>





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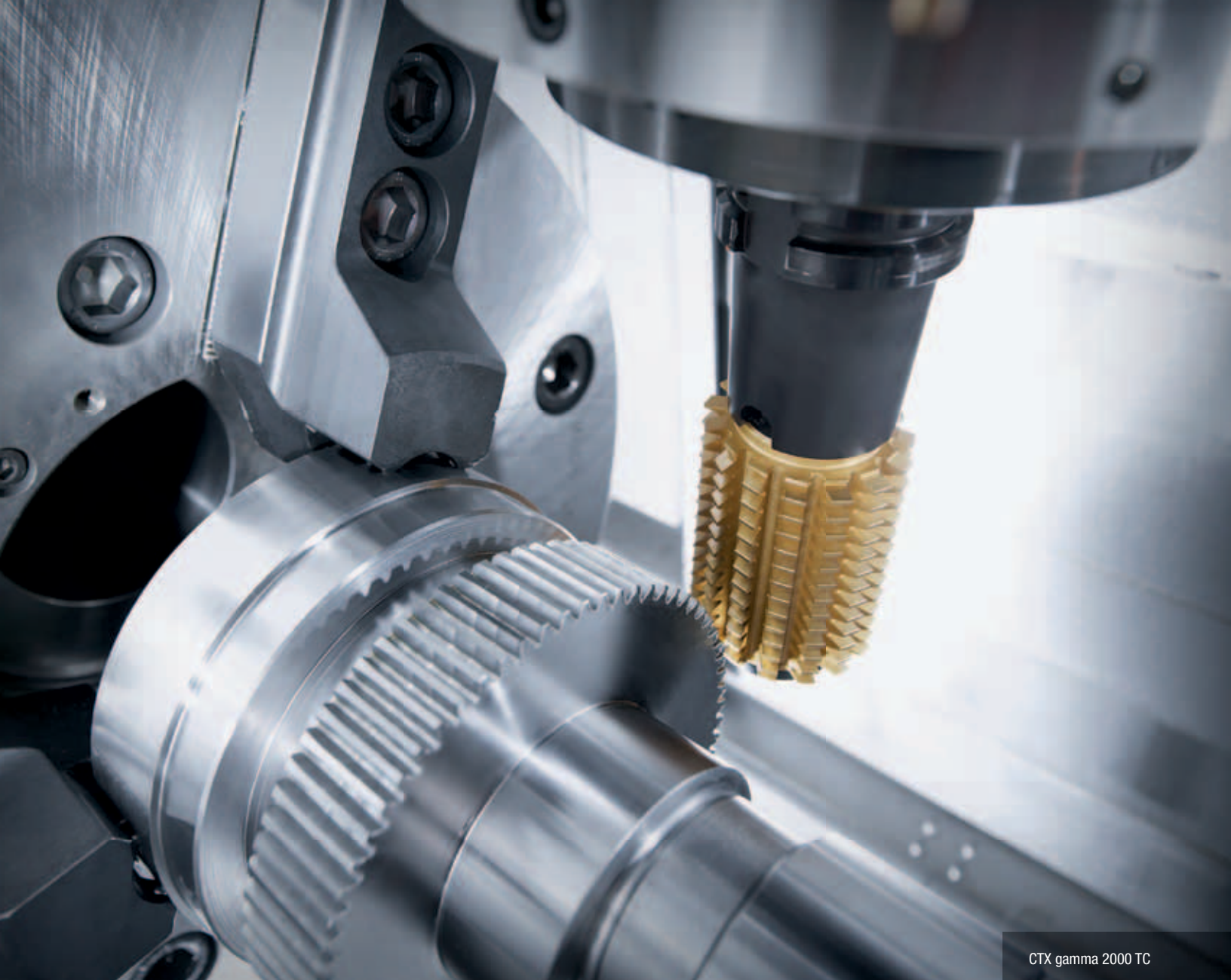
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NO TIME FOR CLIFF WORRIES; SOME CHIEFS KEEP SPENDING

Wall Street Journal; By: James Hagerty

Conventional wisdom holds that U.S. business executives are paralyzed with fear waiting for Congress and the White House to decide whether to let taxes soar and government spending plunge at the start of the New Year.

In many cases, that is true. But not every business is waiting to see whether the sky falls on Jan. 2. Michael Tamasi, chief executive of AccuRounds Inc., which makes shafts, valves and other parts for machinery, says his family-owned company in Avon, Mass., will proceed with an expansion “regardless of what happens in Washington.” He recently spent about \$1 million on metal-shaping machinery and is preparing to buy more. He is also working with architects on a plan to nearly double his factory’s floor space to around 50,000 square feet.

Many U.S. companies are jittery, of course, and have delayed spending while they wait for greater visibility on U.S. budget policy. After expanding 11% last year, businesses’ capital spending on equipment and software in this year’s third quarter fell at a 2.7% annual rate. Cliff Waldman, a senior economist at the Manufacturers Alliance for Productivity and Innovation, a research organization in Arlington, Va., says such investment is likely to stay weak: “Every day we are assaulted by negatives” on the U.S. budget and global economy, he says.

Even so, some companies, including AccuRounds, remain in expansion mode based on customer demand for their products.

“We’re bullish on 2013,” says Rich Bartek, an executive vice president at Oberg Industries, a Freeport, Pa.-based maker of metal parts for a wide variety of industries. Oberg, which expects 2012 sales to total about \$110 million, plans to spend about \$5 million on equipment next year, about the same as in 2012, Mr. Bartek says. Customers in such industries as oil and gas, medical and aerospace equipment are urging Oberg to be ready for increased orders next year,

he says. To hedge against the risks of a sharp economic downturn, Mr. Bartek says Oberg may lease some equipment rather than buying.

Alle-Kiski Industries Inc., another maker of metal parts, based in Leechburg, Pa., recently took delivery of a new \$300,000 computer-controlled metal-shaping machine. “This was our best year ever, and next year looks even stronger,” says Kevin Hartford, president and co-owner of Alle-Kiski, whose sales this year are expected to top \$5 million.

Capital spending at ExOne Co., an Irwin, Pa.-based maker of 3-D printing equipment, is likely to be higher in 2013 than this year, says David Burns, its president. ExOne’s equipment is used to make products and machinery parts by building up thin layers of material in a process that resembles printing and is known as additive manufacturing.

“If we don’t invest to grow and continue to differentiate ourselves, we could be overtaken” by rivals, Mr. Burns says.

At AccuRounds, Mr. Tamasi expects to borrow between \$3 million and \$4 million to finance his expansion. He says today’s ultralow interest rates make it a good time to borrow. The 51-year-old entrepreneur recognizes that there are significant economic risks ahead and expects his taxes to rise substantially. But he also sees risks in delaying investments.

“Our customers want to give us more business,” Mr. Tamasi says. They expect AccuRounds to be able to make faster deliveries in larger quantities. “We’ll be able to show potential new customers we can take on a big project,” he says, adding: “We’ve got to become super efficient.”

AccuRounds sells precision parts to manufacturers of semiconductor-making machinery as well as medical, aerospace and energy equipment. The products range from pins for power-steering pumps to blades for eye surgery. Many need such careful handling that AccuRounds stores them in egg cartons.

The company also makes parts for weaponry, including pins for grenade launchers. It expects military-related business to weaken as U.S. military spending is squeezed but believes its other markets will remain healthy.

Mr. Tamasi’s late father, an Italian immigrant, started the business in 1958. In the past 10 years, revenue has tripled to nearly \$11 million a year, and the payroll doubled to 72.

Like many U.S. manufacturers, Mr. Tamasi says it is hard to find enough skilled workers with solid groundings in science and math. “Our biggest inhibitor to growth is people,” he says.

Mr. Tamasi, who has a mechanical engineering degree, hasn’t been able to persuade his two sons, ages 21 and 19 and attending liberal arts colleges, to pursue engineering, science or math. “That is extremely painful for me,” he says.



NIMS EXECUTIVE DIRECTOR JAMES WALL APPOINTED TO DOL COMMITTEE

NIMS Executive Director James Wall is the newest employer representative on the US Department of Labor’s Advisory Committee on Apprenticeship (ACA). In a letter dated December 21, 2012, Secretary of Labor Hilda L. Solis extended the invitation to Mr. Wall, noting that his “leadership and expertise on matters impacting Registered Apprenticeship and workforce development” would compliment the goals of the committee.

Comprised of roughly 30 individuals, the ACA informs and provides guidance to the Secretary of Labor on issues related to the Registered Apprenticeship System, including the expansion of the system to promote career trajectories for diverse audiences, and to address training demands for traditional and emerging technologies.



2013 CONTRACT MANUFACTURING

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AGENDA

THURSDAY, MAY 16

Marketing and Sales Sessions

| | |
|-----------------|------------------------------|
| Noon | Registration |
| 1:00pm - 4:30pm | Sales and Marketing Seminars |
| 4:30pm - 7:00pm | Cocktail Reception |

FRIDAY, MAY 17

Contract Manufacturing Purchasing Fair

| | |
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| Noon | Industry Lunch |
| 4:00pm | Contract Manufacturing Purchasing Fair Closes |

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MEMBER TESTIMONIAL

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OSHA 2013 – EMPLOYERS GET READY

Consistent with the first four (4) years of the current administration, employers should be prepared to expect a more active regulatory and compliance agenda from the Occupational Health and Safety Administration (“OSHA”) during the President’s second term. Now that the political landscape has been clarified as a result of the November elections, OSHA can concentrate its efforts on finalizing and promoting initiatives that it has been developing. Employers should anticipate such an employee-focused effort in spite of the recent announcement that Labor Secretary Hilda Solis has decided to step down.

For example, OSHA has been increasing steadily the number of inspections it undertakes at various employers throughout the year. As a result of budget increases, OSHA has added many more investigators to ensure employers are in compliance. OSHA has been able to increase its enforcement efforts drastically as well, resulting in thousands more inspections during any given year. Given this increased focus from OSHA, employers would be well served to take a proactive approach and conduct periodic internal audits of all facilities and equipment to ensure compliance. Similarly, employers should review safety-related documents and policies in advance to confirm the company has taken all necessary steps to comply with existing laws and regulations. Such action should better prepare employers for continued affirmative efforts by OSHA to advise employees and unions of their rights and procedures to file complaints about safety/health practices which often result in inspections.

Along with increased compliance comes additional opportunities for employers to be assessed penalties for cited violations of established regulations and standards. Employers can anticipate a continuation of the recent trend of receiving higher penalties and not being able to obtain

a reduction based on the size of the company or its history of compliance. Recent trends have shown that the average penalty assessment has increased from \$1,000 per violation to \$2,000 currently. Similarly, the number of times OSHA cited repeat offenders with increased penalties has risen and should continue to climb in the future. There is no reason to believe this rising trend will not continue during the next four (4) years.

Employers also can anticipate stricter compliance efforts with respect to record-keeping obligations as the agency looks for additional avenues to pursue in enforcing its rules and regulations. Thus employers should take care to verify all required forms are completed accurately and timely. For example, by February 1, 2013, OSHA’s annual summary form (Form 300A) must be completed and posted in the facility for three (3) months. Form 300A summarizes the OSHA 300 logs required to be maintained by employers for workplace injuries and illnesses.

Additional areas of focus for OSHA in the upcoming years include finalizing rules initiated in the previous years, such as an Illness and Injury Prevention Program Rule, a requirement that employers report, not merely record, injuries and illnesses, and other regulatory changes and standards. Employers also should be aware of OSHA’s increasing efforts in the area of whistleblower litigation, which results from employees protesting an employer’s non-compliance with safety regulations and suffer an adverse employment action. In fact, OSHA has determined whistleblower protection is such an important area that it has developed a Whistleblower Protection Program Director and a website specifically dedicated to whistleblower activities and protection.

Whichever direction OSHA takes during the President’s term, employers should be proactive and protect against potential penalties by ensuring compliance early rather than later.



TAKING STOCK AFTER THE FISCAL CLIFF

Washington is providing no shortage of drama these days (and ugly drama at that), as demonstrated by the country’s recent creep to the edge of the fiscal cliff. Yet while the down-to-the-wire talks may seem to have tilted in favor of the President’s agenda, the One Voice advocacy team was able to pull a number of tax extensions out of the jaws of Congressional negotiators that have important implications for manufacturers.

During the Fiscal Cliff negotiations, One Voice focused on five specific tax credits and deductions that were fair game for elimination – and all five were extended for the time being. The first item we focused on was the estate tax, for which the existing exemption of \$5 million per individual and \$10 million per family was preserved. Anything above those threshold limits is taxed at the 40% rate, but those thresholds are indexed for inflation, meaning that the first \$17 million per family will be exempt by 2020.

We also worked on the bonus depreciation provision, which was extended through 2013 at 50%, with the additional option to accelerate Alternative Minimum Tax credits in lieu of depreciation. In addition, we won an extension for 2012 and 2013 of expanded Section 179 expensing with a \$500,000 maximum amount and the \$2 million phase-out threshold.

The R&D Tax Credit was extended through 2013 and made retroactive to January 1, 2012 at 20%, along with 14% for the simplified credit.

Finally, the Section 127 Employer Education Assistance provision was made permanent.

Aside from the Education Assistance credit, all the other provisions are temporary extensions or expansions of credits or deductions. One Voice is focused on making many of these provisions permanent as part of a comprehensive tax reform package, and we remain in discussions with allies on Capitol Hill about finding ways to permanently repeal the Estate Tax. Having said that, indexing the estate tax to inflation and the capital equipment expensing extension were both significant victories for small and medium sized manufacturers to take away from the fiscal cliff deal.

There is important work ahead, and One Voice needs your active participation to make it happen. Plan ahead to attend our annual legislative conference in Washington in April. Not only will you learn more about the policy debates that affect your company’s future – you will get to directly educate lawmakers about what they need to do to help protect your interests.

Manufacturers can make a difference in Washington, but only if they participate in the process. NTMA members can give unlimited corporate or individual contributions to the NTMA Government Affairs Administrative Fund which supports the work done by The Franklin Partnership and Policy Resolution Group at Bracewell & Giuliani LLP. Additionally, NTMA members can make limited personal donations to the Committee for a Strong Economy (CFASE) PAC, which supports pro-manufacturing Congressional candidates.



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WHEN YOU MAKE WHAT MATTERS



JOB SKILLS GAP? SKEPTIC SAYS FACTORS TELL ANOTHER STORY

THE AUTHOR SAYS COMPANIES DON'T INVEST IN THE WORK FORCE AND DEMAND MORE THAN EVER FROM JOB APPLICANTS, INCLUDING A WILLINGNESS TO ACCEPT INSUFFICIENT WAGES.

By Steve Mistler

For two years, Gov. Paul LePage has met with Maine business leaders to discuss the skills gap: the theory that employers have plenty of jobs, but not enough qualified people to fill them. New Democratic leaders in the Legislature recently vowed to tackle the issue, creating a bipartisan committee to meet with “business leaders, work force experts and economists.”



Dr. Peter Cappelli, Professor of Management at the Wharton School at the University of Pennsylvania

But Peter Cappelli has some advice for the governor and legislators: Talk to some of the 51,000 Mainers who don't currently have a job.

“I guarantee that politicians will hear a much different story about the so-called skills gap from the unemployed than they're hearing from companies,” Cappelli said.

Cappelli, a professor of management at the Wharton School at the University of Pennsylvania, may be the nation's leading skills gap skeptic. As the rumbling about the country's unskilled work force has risen to a national din, Cappelli has become the country's contrarian voice, appearing on “60 Minutes,” penning op-eds for *The Wall Street Journal* and *The New York Times* and writing the book “Why Good People Can't Find Jobs.”

The former co-director for the U.S. Department of Education's National Center on Education Quality of the Workforce believes that the skills gap is “an illusion,” a “myth.”

He says that if companies are having trouble filling jobs, it's because they're demanding more than ever from job applicants: highly specific educational training, previous experience and a willingness to work for wages that are not commensurate with the purported demand for job applicants.

Cappelli says companies also are demanding changes in the education system to make up for their own lack of investment in work-force training and employee development.

The result, he concludes, are logjams at cash-strapped community colleges, the institutions that have shouldered the vocational training burden.

Meanwhile, Cappelli said, capable people remain out of work, while companies remain understaffed.

Cappelli's points are not well-received in the business community.

In Maine, efforts by LePage, and more recently Democratic lawmakers, have been almost universally applauded by state business leaders. Newspaper coverage of the Democratic leadership's plans to tackle the skills gap prompted a flurry of opinion pieces and letters from business leaders, championing the need to better prepare Maine's work force to help grow the state economy.

Godfrey Wood, president of the Greater Portland Regional Chamber, cited a recent report for Southern Maine Community College that by 2018, 90 percent of new jobs in Maine will require some type of formal education beyond high school. The same report predicted that 4,000 high-wage jobs will go unfilled over the next 10 years due to the lack of skills.

“Part of the solution should include innovative education that brings ‘career relevance’ into high school and college classrooms,” Wood wrote in a Dec. 14 *Another View* editorial in the *Portland Press Herald*.

In Maine, and nationally, the skills gap complaint among the business community has been seized as a political opportunity by policymakers.

But as Augusta lawmakers evaluate Maine's work force needs and contemplate reforms that may require re-prioritizing funding, Cappelli remains skeptical.

“Nobody wants to whack businesses on the nose and tell them what they're doing wrong,” he said. “Everybody wants to look like they're helping business.”

Some Maine business officials concede that they could be more creative in finding the workers they need. However, they dispute Cappelli's arguments that the skills gap is driven by a wage gap and that companies have thrust work-force training onto the public education system.

“I don't think it's fair that Mr. Cappelli is laying all the blame at the feet of businesses,” said Patrick Shrader, vice president of marketing at Arundel Machine Tool, a precision manufacturing company that employs about 75 people in York County.

Shrader says the company is looking to hire 10 more people, but is having trouble filling the jobs.

He agrees with Cappelli that companies should invest in work-force training. That's why Arundel Machine Tool has an internal mentoring program, he said.

Additionally, Shrader said, his company has used a multipronged recruitment effort. It works with the community college system to hire skilled workers, it trains and hires applicants straight out of high school and it promotes from within.

“We have more work-force training now than we ever have,” Shrader said of the company, which was established in 1985.

He said his biggest challenge is finding applicants with “soft skills,” people who show up on time, want to learn and are eager to work. Shrader says such abilities are likely taught at home, not school.

CONTINUED ON — P20

That echoes Cappelli's research, which cites a 2011 DeVry Career Advisory Board survey listing the top 15 employee attributes that business managers identified as key to their success. Only one, communications skills, is an academic subject.

"We have to go all the way to No. 8 on the list to find something that could be taught explicitly in schools (oral communication) and 14th on the list to find a traditional academic subject (reading)," Cappelli wrote.

Similarly, a 2009 Business Roundtable survey found that managers' biggest complaints about employees were work attitudes and self-management skills.

Manufacturers have become leading skills gap advocates.

A recent report from the Manufacturing Institute showed that more than 600,000 manufacturing jobs nationwide were unfilled because employers couldn't find workers.

In December, the National Tooling and Machining Association conducted a survey with 164 metalworking businesses, most family-owned and with an average of 65 employees.

The survey found that 67 percent of the businesses had current job openings and 20 percent of those same businesses had at least

six vacancies. More than 90 percent said they were experiencing "severe or moderate" recruiting challenges.

Wage levels and wage stagnation are key points of friction on the skills gap issue.

According to U.S. Bureau of Labor statistics, manufacturing machinists made a median wage of \$43,800 in Maine in 2011. That's slightly higher than the national median of \$40,520. Wages in the profession have increased -- but only slightly higher than the cost of living.

"We have more work-force training now than we ever have"

Patrick Shrader

Vice President of Marketing at Arundel Machine Tool

Cappelli argues that stagnant wages undercut the skills gap theory. He says that a real skills shortage means that employers can't find candidates at the market wages.

But Shrader and Paul Nathanson, spokesman for the National Tooling and Machining Association, counter that raising wages belies the reality that American companies are competing globally.

"Middle market manufacturers cannot simply charge more for their products,

because their customers won't pay it," Nathanson said. "They can source the same product from overseas, where labor markets are much cheaper."

The Southern Maine Community College skills gap study singled out other occupations where wage stagnation may be an issue. The study cited Bureau of Labor Statistics data that showed flat to moderate wage growth in hospitality and construction trades. In both categories, wages fail to keep pace with annual cost of living increases.

The skills gap issue has nuances that vary among industries and employers.

At Idexx Laboratories in Westbrook, which makes diagnostic tests and instruments for livestock and poultry, the demand for skilled, experienced workers has never been higher.

Ann Marie Martin, the new head of Idexx recruitment, said the challenge in Maine lies in filling technology positions, software engineers and developers. She estimated that the company has 15 job openings just in those fields, some of which have been vacant for more than a year.

Martin said Idexx doesn't hire many people straight out of college. It's looking for highly skilled, experienced workers and tends to recruit "passive candidates," people working elsewhere and not necessarily hunting for another job.

The company's philosophy is to cross-train employees and give them opportunities to develop new skills, she said.

"It's not always about the dollars that you spend, it's how you encourage people to work cross-functionally and identifying projects for people to work on that stretch them a little bit," she said.

Martin says it's the company's responsibility to ensure that it's developing its employees.

"We want to build bench strength," she said.

But Martin said the company is also eager to work with lawmakers to bridge the skills gap.

The leading opportunity for that may come from the bipartisan commission recently formed by Democrats, who now control the Legislature. They plan to use the information they glean from business leaders, economists and other experts to develop a report with comprehensive recommendations. The findings will likely provide the foundation for a skills gap bill to be submitted for debate in the upcoming legislative session.

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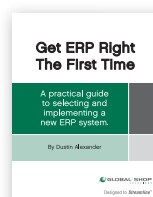
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Agenda

Monday, April 22, 2013

4:00p.m. – 5:30p.m. – Early Conference Registration
5:30p.m. – 6:30p.m. – Optional Early Arrivals Reception

Tuesday, April 23, 2013

8:00a.m. – 11:30a.m. – Conference Registration
11:30a.m. – 1:00p.m. – Conference Opening
Remarks, Briefing, and Lunch
2:00p.m. – 4:30p.m. – Capitol Hill Visits
5:30p.m. – 6:30p.m. – Networking Reception

Wednesday, April 24, 2013

8:00a.m. – 9:30a.m. – Breakfast, Issues Presentation
10:00a.m. – 4:00p.m. – Capitol Hill Visits

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THE SHOWDOWN BEFORE THE SHUTDOWN

By Omar S. Nashashibi, Founding Partner, The Franklin Partnership, Washington, D.C.



Just when you thought Washington had turned the corner and avoided the fiscal cliff, manufacturers only have to look around the bend to see the Grand Canyon ahead of us. While manufacturing businesses succeeded in extending many of the tax breaks important to the industry such as R&D Tax Credit and capital equipment expensing, Congress did what it does best – procrastinate.

In school, procrastination rarely impacts anyone other than you and your grades. But when Washington puts off its responsibilities, we all suffer. Draconian budget cuts through sequestration are still slated to take effect at the end of February, the government will default on its loans and hit the debt ceiling by March 1st, and the federal government will run out of money on March 27th. Congress has created a perfect storm for itself which puts Republicans and Democrats, and the country, on the pathway to a Showdown Before the Shutdown.

At his last press conference of his first term, President Obama, while describing himself as a friendly guy who “likes a good party”, was anything but friendly in his tone. He clearly stated he is not negotiating a solution to the debt ceiling but demanding that Congress automatically increase the nation’s borrowing limit. From all indications on Capitol Hill, Republicans in the House of Representatives are unwilling to increase the debt ceiling or extend federal spending for FY2013 without significant budget cuts, and possibly, entitlement reform.

This is like playing a game of Russian Roulette except the gun is pointed at the taxpayer. Congressional staff we spoke to throughout January said both parties are readying themselves for a government shutdown and a government default on its loans. That all sides have dug in and do not appear ready to negotiate only spells trouble for the economy and manufacturers. This is no way to run a business, let alone a government with over 300 million people, not to mention the global economy, hanging in the balance.

That is why the National Tooling and Machining Association (NTMA) Government Affairs Team met with the Precision Metalworking Association (PMA) in January as part of their joint One Voice federal government advocacy alliance – to strategize how best to

position manufacturers to weather the coming storm. Business leaders gathered in Cleveland to review the issues most important to them according to the annual government affairs survey of 200 manufacturing members – taxes, regulations, and workforce development.

The NTMA is especially placing an added emphasis on educating Washington about the need for comprehensive tax reform to provide manufacturers with stability and certainty in the code, allowing companies to develop long term plans for their operations. While NTMA succeeded in extending many of the tax provisions critical to their members’ businesses in the fiscal cliff law, Congress only temporarily extended four of the five tax credits or deductions on which NTMA actively lobbied. Senate Republicans cut a deal with the White House to increase individual tax rates on the “wealthy.” However, what the vast majority of policymakers do not understand is that 70 percent of all manufacturers pay taxes at the individual rate and many of them report earnings that Washington considers “wealthy”, even if the manufacturer’s “take home” is nowhere near the tax on the rich threshold.

In addition to the focus on pushing for permanent and comprehensive tax reform, the NTMA Government Affairs Team approved a strategy plan led by their public relations firm, the Policy Resolution Group, to educate the media on the lack of skilled workers in the manufacturing industry. A study by accounting firm Deloitte stated there are at least 600,000 skilled manufacturing jobs vacant today. The joint NTMA/PMA One Voice December 2012 survey reports 67 percent of their members have job openings at their manufacturing plants and 20 percent of those businesses currently have at least 6 job openings. This amounts to over 100,000 current jobs currently available in the metalworking industry alone.

Despite this data, another consulting firm alleges there are only 80,000 manufacturing job vacancies, a report unfortunately widely cited in the media. Because of the need for increased education in the press, the public, and Washington, the NTMA is committed to working on this important issue and is meeting with the Department of Labor, creating alliances with Veterans’ groups, and developing local partner-

ships between employers and educators.

Regardless of what happens with a government shutdown, NTMA is well positioned as the voice for small and medium sized manufacturers in Washington, D.C. The NTMA Political Action Committee, which is accepting personal contributions, had a 92 percent success rate supporting candidates for Congress last year. It is critical manufacturers have allies in Washington to stand up for the industry.



NOT JUST PATRIOTIC, U.S. MANUFACTURING MAY BE SMART

The advantages to making products in the U.S. are starting to stack up — and companies are taking notice. Among them are Apple, which announced Thursday it plans to start producing some of its Mac computers here instead of in China, and General Electric, which is making big investments at home.

It’s not just a matter of publicity, either. As the December issue of *The Atlantic* reports, companies are seeing real economic advantages to “insourcing,” a reversal of the outsourcing trends that sent U.S. manufacturing overseas.

A NEW APPROACH

General Electric opened Appliance Park in Louisville, Ky., in 1951, but lately it has been making some changes there. In August, the company announced an \$800 million investment in jobs, products and the manufacturing process itself.

Back in 2008, Rich Calvaruso gathered his team at Appliance Park and told them they had to rethink the dishwasher. As a “Lean” leader, Calvaruso’s job is to figure out how to make things more efficiently. So he asked a team of factory workers, designers and marketers to put their heads together. They managed to cut down the time it takes to build the dishwasher by one-third.

The dishwasher’s orientation was the key. When it was set up a certain way, operators down the line could do their work without spending time manipulating the washer itself.

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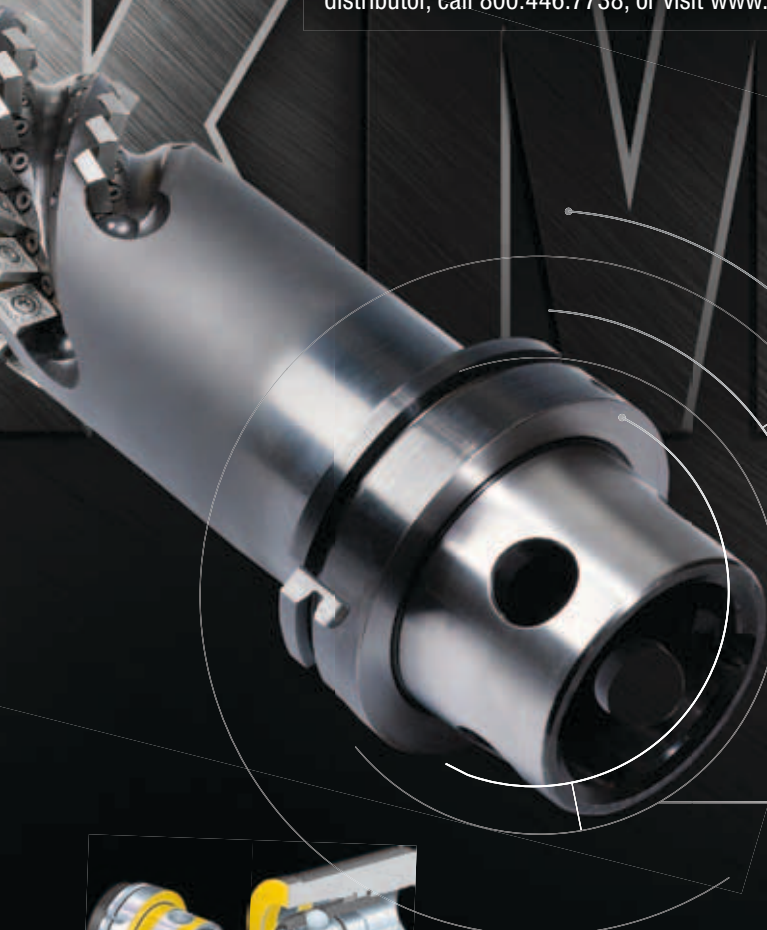


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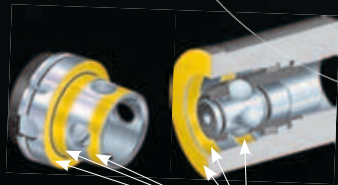


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Even though it now takes fewer people to make that dishwasher, not a single person was laid off. Calvaruso tells Guy Raz, host of weekends on All Things Considered, that those employees were freed up to work in other parts of the company.

That process set in motion a company-wide re-evaluation of how GE should operate. The new philosophy was simple: It might make more business sense to have everyone involved in a product work in the same place. That thinking led to a change that couldn't have happened if some workers were in China, others in Mexico and some in the U.S.

GE holds up another example of improved efficiency. The marketing team wanted to eliminate four visible screws to improve the dishwasher's design. A diverse group of workers found a way to do that, making the manufacturing process quicker as a result.

With workers in different departments physically sharing the same space, Calvaruso says, these cross-interest conversations can happen more easily.

WHERE'S THE INCENTIVE?

Reporter Charles Fishman, who wrote about Appliance Park in the latest issue of The Atlantic, doesn't think it's a blip. He sees the four-screw story as a metaphor for this insourcing boomlet.

"To me the power of the four-screws story is no one ever would have known, in the old method, a year and a half ago, that anybody wanted the screws to disappear," he says, "that they could have been made to disappear, that making the screws go away makes the door cheaper, easier to make and a better product."

Fishman says companies are finally seeing the economic advantages of doing things differently.

"What I discovered is it's not clear this huge wave of outsourcing was done for really smart, rational business reasons," he says.

Companies started moving jobs overseas when they calculated how much cheaper the labor was, Fishman says, but they weren't factoring in other kinds of costs.

"This stuff turns out to be really complicated," he says. "And you have to sit down and ask a whole set of questions before you understand that you've been making a mistake for a year, or two years, or four years."

One of those factors that businesses are starting to take into account is intellectual property, Fishman says. Specialized technology can make products more competitive, but if they're made overseas, it's easier for others to make knockoffs.

Another incentive is energy prices, he says. Manufacturing in the U.S. cuts down on transportation costs. Plus, he says, the factories themselves can run on natural gas, which is cheaper in the U.S.

All of these variables put together make the difference, Fishman says.

"I don't think you can say just wages, or just energy prices, or just transportation time," he says. "But when you stack them up, it really gets to be incredible."

RE-EVALUATING THE MODEL

But U.S. manufacturing jobs aren't exactly erupting in a boom.

"There haven't been this few people working in factories in the United States since 1941. There were a third fewer people in the country then," Fishman says.

However, the output of the workers that are in the industry is high.

"Because of the recession, we're not quite at the highest dollar value the country's ever produced in manufactured goods, but we're very close," he says.

And as more companies like GE make big investments in U.S. manufacturing, others could start to follow.

Fishman says the U.S. manufacturing industry won't ever look exactly like it used to, but that different kinds of manufacturing will start happening in different places. However, he says, the notion that at the U.S. will never make anything again is "dramatically overstated."

"I think smart companies will see it isn't an act of patriotism or charity," he says. "It's smart business to make stuff here."



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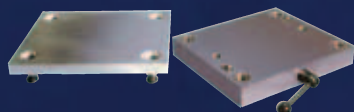




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WE AVOIDED THE "FISCAL CLIFF", NOW AVOID PAYING UNNECESSARY TAXES WITH THE R&D TAX CREDIT

Scott Schmidt - Principal, Black Line Group

Now that the country has been talked off the "fiscal cliff", and with tax season underway, it's time to explore whether your company can benefit from the R&D Tax Credit.

As they have done consistently since 1981, Congress passed legislation as part of the American Taxpayer Relief Act of 2012 extending the Research & Development tax credit. The new law extends the incentive retroactively back to January, 1st of 2012 and through December 31, 2013

A just completed January 2013 survey of NTMA members found that less than half of the respondents were utilizing the Research and Development (R&D) Tax Credit. Do these companies that are claiming R&D Tax Credits know something that the other members not pursuing the credit don't?

Because they typically don't have their own product line and are making parts for other companies, it's widely believed that "Job Shop/Contract Manufacturers" do not perform Research and Development (R&D). "We get a drawing from our customer and we just make the

part" is a common response from people that don't understand how broad the definition of R&D is for tax credit purposes. However, what these companies don't realize is that much of what takes place on a day-to-day basis in the "Job Shop/Contract Manufacturing environment" may qualify for the R&D Tax Credit, and may be causing these companies to leave substantial money on the table. For companies that have not taken advantage of the R&D Tax Credit in the past, this can potentially mean the creation of immediate and substantial amounts of cash, minimally into the many tens of thousands of dollars annually. In addition, companies can reduce future tax liabilities and improve cash flow.

To learn more about the R&D Tax Credit and whether your company would benefit, contact Scott Schmidt at NTMA National Associate member Black Line Group at 763-550-0111 or scott@blacklinegrp.com, or visit our website at www.blacklinegrp.com.





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CALENDAR OF EVENTS

January

PROCURE CONFERENCE 2013
February 11-13, 2013
Atlanta, GA

February

March

NTMA PURCHASING FAIR
May 16-17, 2013
Indianapolis, IN

MFG HAWAII
Hilton Waikola Village
March 5-8, 2013
Waikola, HI

NATIONAL ROBOTICS LEAGUE COMPETITION
IUPUI Campus
May 17-19, 2013
Indianapolis, IN

April

May

June

HANOVER MESSA 2013 (TRADE SHOW)
April 8-12, 2013
Hanover, Germany

CHAPTER LEADERSHIP SUMMIT
May 17-18, 2013
Indianapolis, IN

BAUMA 2013 (TRADE SHOW)
April 15-21, 2013
Munich, Germany

EMO HANOVER 2013
September 16-21, 2013
Hanover, Germany

NTMA/PMA ONE VOICE LEGISLATIVE CONFERENCE
Marriot Wardman Park Hotel
April 23-24, 2013
Washington, DC

FALL CONFERENCE - BOSTON
Omni Hotel
October 15-20, 2013
Boston, MA

October

November

December

OFF-SHORE TECHNOLOGY CONFERENCE
Reliant Park
May 6-9, 2013
Houston, TX

IMX 2013
November 18-20, 2013
Las Vegas, NV