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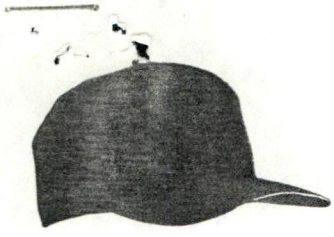
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OA/ID Number: 13662
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March 16, 1989

Andrew Card
Deputy Chief of Staff to the President
White House
West Wing
Washington, DC 20500

Dear Andy,

Enclosed are several copies of last month's Sports Inc. magazine. Knowing the President will be addressing the National Association of Manufacturers Annual Congress next Thursday the 23rd, his speech writers may find some of this material useful as there will be a high percentage of sporting good manufacturers in the audience. I am also enclosing the card of Dave Granger, senior editior for Sports Inc. If it's possible, could you arrange to get an autographed copy of the magazine sent to him?

I will be in town Tuesday, Wednesday, Thursday, Friday and Saturday of next week and if there is any possibility of us getting together for 15 minutes I would certainly appreciate it. I can be reached either through my Palm Beach office (407) 842-4225 or my Washington office (202) 775-1764.

On a side note, I would like you to be aware that Bill Bennett has named his top advisor - a guy by the name of Chuck Wexler - he is from Newton, Massacushetts, worked for the Boston PD and has come from the International Association of Chiefs of Police (IACP). The folks over at NRA are going off the roof about it. Heads up on this one - he is going to cause you more grief than you folks really need. I am an old friend of Chuck's, Bill's and of course still maintain my contacts at NRA. So, if there is any mediating role I can play you have my services at you're disposal.

Needless to say, I am extremely proud of what you have accomplished and the position you now hold. As always if there is anything we at the Coaltion of Americans to Protect Sports (CAPS) can do to further the cause of our President and that of our friend, the Deputy Chief of Staff, don't fail to call upon us. My very best regards to you and your family - look forward to seeing you.

In sports freedom,

Richard Feldman

Richard J. Feldman, Esq.
Executive Director

Enclosure

RJF/mnr

1730 K Street, NW
Washington, DC 20006
(202) 822-9300

Barry K. Rogstad
President

American Business Conference

March 24, 1989

Mr. Jeff Vogt
Office of Public Liaison
The White House
Washington, DC 20500

Dear Jeff:

Here is a letter for Bobbie that conveys some additional information that might be useful to the President's speechwriters.

Regards,

Barry

Barry K. Rogstad

BKR:mcp
encs.

1730 K Street, NW
Washington, DC 20006
(202) 822-9300

Barry K. Rogstad
President

American
Business
Conference

March 24, 1989

The Honorable Bobbie Kilberg
Deputy Assistant to the President
The White House
Washington, DC 20500

Dear Bobbie:

We are honored that President Bush has consented to speak to the members of the American Business Conference at our meeting here in Washington early next month.

I am enclosing a paper describing the nature and mission of ABC. In addition, for purposes of preparing the President's presentation, you may find the following background information helpful.

- o President Bush is a long-standing and valued friend of ABC. As Vice President, he met with our members in October 1981 (at which time he hosted a reception at the Vice Presidential residence), March 1983, and October 1985. Last January, shortly before the inauguration, he and Vice President Quayle hosted a session with some of America's leading entrepreneurs including one of our members, Tom Wathen, President of Pinkerton's Inc. The President has a number of personal acquaintances and friends among our membership; indeed, Secretary of Commerce Bob Mosbacher is a former vice chairman of ABC.

- o ABC enthusiastically supports the President's budget initiative, especially its focus on capital formation and growth.

- o We share as well the President's emphasis upon education as a key ingredient for increasing labor productivity and, therefore, the nation's international competitiveness. A number of our members are very active at the state and local level in programs to promote educational excellence.

- ABC, perhaps more than any other business organization in Washington, has consistently endorsed a pragmatic free trade and investment policy as the only reasonable response to an interdependent global marketplace.

The members of the ABC feel that the President closely embodies the ideals and goals of our organization. For that reason, we will not only support his short-term economic goals, but want to contribute to the achievement of his long-term priorities for the nation and the world. I trust that the meeting with the President next month will be the beginning of a long and constructive partnership to that end.

Sincerely,

Barry

Barry K. Rogstad

BKR:mcp
enc.

American
Business
Conference

A Coalition of Growth Companies

THE AMERICAN BUSINESS CONFERENCE

Founded in 1981 and comprising one hundred chief executives of fast-growing, mid-size companies, the American Business Conference (ABC) is the non-partisan voice of the high-growth, entrepreneurial sector of the economy.

Mission

The mission of the American Business Conference is the promotion of public policies to encourage growth, job creation, and a higher standard of living for all Americans. ABC executives believe their own business success carries with it a responsibility to help expand economic opportunity throughout the economy.

Membership

To qualify for membership in ABC, a company must have annual revenues of at least $25 million and must be growing in revenues or earnings at a minimum annual rate of three times the growth of the economy plus inflation. Member firms who can no longer maintain the growth criterion leave the organization and are replaced with other qualified companies.

ABC maintains a distribution of manufacturing, service, financial service and real estate firms in its membership roughly proportional to the configuration of the economy as a whole. Membership in ABC is limited to one hundred.

Agenda

Just as it keeps its membership limited and select, so too ABC focuses on a few, very important issues directly related to economic growth.

- o Fiscal Policy: ABC regards the stimulation of national savings and the continued reduction of the federal deficit as the nation's leading economic priorities. ABC believes that deficit reduction is primarily a matter of reducing the rate of increase in federal spending. To that end, ABC urges a bipartisan scrutiny of all federal spending programs in an effort to bring the budget into balance without new taxes. ABC does not accept the proposition that higher taxes are a substitute for a disciplined, accountable federal budget.

  In the event that future, unforeseen economic circumstances call for new taxes in order to keep the budget in balance, ABC would support such taxes only if the new revenues are dedicated explicitly and without exception to deficit reduction. The burden of any new levies should fall on consumption rather than savings. In the longer term, ABC believes that an examination of the merits of a transition to a consumption-based income tax is in order.

- o International Trade and Finance: ABC is committed to free and fair trade as well as the unhindered international flow of investment capital. The American economy has demonstrably benefitted from both. The United States must be on guard to insure that the vigorous enforcement of its trade laws -- which is a legitimate response to a world trading system still marked by barriers to trade and investment -- does not result in furthering the sort of protectionism the laws were designed to counteract.

- o Human Capital: By their very nature, ABC companies depend upon human skills for imaginative business concepts and innovative technology. Over time the more advanced countries of the world can be expected to grow in industries that are more technology and knowledge intensive, that provide higher value-added goods and services, and that are increasingly dependent on human skills. The long-range competitiveness of ABC companies and of American business generally, depends upon the maintenance of a world-class work force. To that end, ABC strongly supports new initiatives to promote educational excellence at all levels.

Activities

ABC in all of its activities depends upon the participation and initiative of its executives. That fact gives ABC's perspective special credibility. Throughout the year ABC executives are prepared to offer their perspective in a number of forums on both short- and long-term critical economic issues.

- Membership Meetings: To advance their economic ideas, ABC executives regularly meet the nation's most important policymakers. Twice each year, all ABC members come to Washington for three days of policy meetings. The number of people participating in each meeting is kept small: perhaps two or three senators or administration officials with an equal number of executives. The discussion agenda typically reflects ABC executives' interests.

  ABC executives also meet in plenary session to hear from the president of the United States, the vice president, the chairman of the Federal Reserve, and other distinguished speakers. In the plenary sessions as well as the small sessions, the atmosphere is sufficiently informal to allow a healthy exchange of views.

- Other Policy Meeings: Beyond the twice-yearly membership meetings, ABC executives often visit Washington individually and in small groups to discuss the views of the membership before committees of Congress. A number of ABC executives serve on various trade and advisory committees to the president, and three ABC members are directors of Federal Reserve Banks.

- Publications: Together with direct advocacy, ABC executives place great emphasis upon the study of entrepreneurship and management practice. ABC is well-known for its monographs topics such as on capital costs, saving and consumption, the contribution of entrepreneurship to the economy, and the elements for success in the world marketplace. These and other ABC publications are drawn directly from the experiences of ABC member companies.

- o Seminars: ABC also co-sponsors seminars and other programs to allow further public debate on economic policy issues, and frequently ABC executives are asked to speak to meetings of business leaders and policymakers.

Through personal advocacy and publications, ABC executives attempt to bring a fresh, informed, and neutral outlook on economic policy-making.

The American Business Conference sees itself as a "laboratory of excellence," dedicated to communicating the outlook and practices of the sort of firms that are on the leading edge of the American economy as the nation moves into the next century.

(Lange/Martin)
March 21, 1989
7:15 p.m.

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF MANUFACTURERS
~~WASHINGTON, D.C.~~
Time THURSDAY, MARCH 23, 1989

Thank you, [Dick]. You know, after one tough football game, somebody asked Knute Rockne why Notre Dame had lost. He answered, "I won't know until my barber tells me on Monday."

Well, nobody's second-guessing American manufacturing anymore. Clearly, you're playing a winning game.

I'm here today to tell you that "de-industrialization" is a myth. Manufacturing, as a share of our national output, is as strong today as it has ever been.

Thanks to the hard work of the men and women in this room -- who are the brains and muscle of America's basic industries -- we are producing more products with a smaller percentage of our population than ever before.

That, my friends, is productivity. That is why since 1982, our manufacturing output has gone up twice as fast as Western Europe and has kept pace with Japan.

You are the producers who are building a better America every day. Your presence here today demonstrates that you are

fighting to win the international struggle for continued growth. You have demonstrated that you can make America more competitive -- and that you can keep America more competitive.

Now, I'm not saying you're going to have to do it alone. There is a role for government. Sometimes political leadership is needed -- for example, to keep international trade free and fair. However, I will tell you that this government will not confuse involvement with interference.

There's a lot of talk about competitiveness going around these days. But competitiveness is more than just the latest trade figures, or the latest quarterly earnings -- or the latest poll or the latest election, for that matter.

Surely our success can be measured by better methods than these. In your industry, as in mine, this may be a good time for us to look toward a longer horizon.

We stand at a special moment in American history. We are prosperous... and we are at peace.

At such a point, we must set our sights higher. We must look farther ahead. The 21st Century is less than a dozen years away now.

You've called this conference "The New Leadership Summit." ~~Leadership is many things: vision, the power to inspire, the capacity to define an agenda for future action. It~~ leadership is certainly found in those who keep the great engines of American industry turning. like you ... creating jobs, building businesses and meeting needs, ... our Nation's manufacturers have shown the qualities we will need to carry us into the future. And make no mistake, the challenges we face will test your vision and your capacity to define an agenda for action.

Leadership means understanding where an organization finds itself, right now; seeing where it wants to go; and knowing how to get there. Above all, it's playing the long game, whatever the odds -- and playing for keeps.

~~So~~ Today, I'd like to address that very point by outlining ~~outline~~ my agenda for the next American century.

To build a better America, one of the most important priorities for this government will be to encourage savings and long-term investment -- and get our fiscal house in order. This means bringing down the deficit.

Last month, I submitted a budget to Congress with a clear agenda to cut the Federal deficit, and enhance business' ability to plan, expand, and build.

My friends, next year, under current law, the economic growth we are enjoying will increase federal revenues by more

than $80 billion without increasing tax rates. Our plan will hold the line on spending, using that revenue to slash the deficit by more than 40 percent -- and bring it down below the mandated Gramm-Rudman-Hollings targets.

To encourage long-range investment and entrepreneurship in businesses of all sizes, it's time we restored the capital gains differential. This is a case where less means more. More revenue to the Federal government -- $4.8 billion more in 1990, according to Treasury estimates. More savings, and more investment. More competitive, flexible businesses. More opportunities for innovation.

And more jobs for all Americans -- including those who have been left behind, and who need a chance to work for their share of the American dream. This is no tax break for the rich. It's a fair shake for America.

Competitiveness, opportunity, saving, and investing for the long term -- this is why we need a capital gains tax rate cut. It's why we need one now.

To spur investment in basic research, we've proposed a permanent research and experimentation tax credit. A 13 percent increase for science and technology programs.

And we have created a new post at the Commerce Department -- Undersecretary for Technology -- that embodies our commitment to guaranteeing that American technology is number one. We also intend to double the National Science Foundation's budget by 1993.

A strong economy needs a safe and secure banking system. That is why we proposed a comprehensive plan to solve the difficulties of our savings and loans. Our plan has been well-received on both sides of the aisle on Capitol Hill -- and I've asked for action within 45 days.

We want to ease the pressures now building on the most important organization in America -- the family -- by promoting choice on issues like child care. So last week I sent legislation to Congress that puts money and options in the hands of parents, rather than bureaucracies.

But the most powerful key to long-term competitiveness is education. A strengthened education system is the essential ingredient for America's prosperity into the next decade and the next century. Let no one suggest that education is a minor matter on the national agenda. It is vital to everything we are, and can become.

But there are no quick fixes here, either. Like most of the long-term issues on the national agenda, American education won't be fixed with a bolt of lightning here, a puff of smoke there. It will take collective effort at all levels, public and private, to get it right. Those businesses that are involved with local schools -- developing the workforce at its source -- are making fail-safe investments. And they stand to reap the greatest rewards.

For those workers already on the line, we must build new skills and flexibility as jobs change, through training and re-training. The NAM policy position you adopted last year said that "investment in human resources is at least as important as investment in equipment and technology." And you're absolutely right. Machinery and technology alone don't improve productivity. People do.

Another issue where we plan to play for keeps: We're determined to get drugs out of the workplace. Drug and alcohol abuse in the workplace costs $60 billion every year, putting productivity and lives at risk.

Drug abuse in America must stop -- and we are off to a fast start. Last month I spoke to Congress about four decisive issues: education, treatment, interdiction, and enforcement. And I asked for an increase of $1 billion in budget outlays -- to

nearly $6 billion in 1990 -- to escalate our effort. But we will also be looking to you to set effective, well-reasoned drug policies in your businesses.

Employers can teach their people to recognize the signs of substance abuse in their co-workers -- and understand how drug abuse hurts the non-users on the line.

Any long-term agenda must also ask how we can leave the earth we've inherited a little better than when we found it. We must devise answers to the problems of ozone depletion, global warming, and acid rain. We've already joined with other nations to call for the elimination of CFCs and the development of environmentally safe substitutes -- as well as adopting a tough new policy on the export of hazardous waste.

The time has come to set aside partisan approaches to these and other enormous environmental questions. We must ensure that our grandchildren can fish on the same lakes we've enjoyed.

In this agenda for a new American century, I've asked you to consider a broad vision: a vision that relies on the dynamic spirit that is America. The spirit that says: Buildings should not stand empty, while people lack shelter. Jobs should not go unfilled, while young men and women stand idle on street corners. No one should go hungry, in the richest nation on earth.

We must promote local efforts to assure that every American can seize a share of prosperity -- and help to create more of it. Whether through the constellation of local community groups already at work -- or through new ideas, like our program to encourage our nation's youth to become involved in community service: we will rely less on the collective wallet, and more on collective will.

But this does not mean lowering our sights, or our expectations. Just the opposite. In an era of tight budgets, we are <u>not</u> going to simply "make do with less." We're going to learn how to do <u>more</u> with less -- and do it better. In the factory, that's called productivity. Across our country, that's called national spirit.

Yes, we are prosperous. And we are at peace. But such quiet moments often become pivotal in a nation's history.

My friends, the choices we make now will determine whether the door to the next American century is closing -- or opening wide, for all who dare to dream.

Thank you. God bless you. And God bless America.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Interest Rates
Q4 GNP
Housing Finance
Bean Counting

March 24, 1989

MEMORANDUM FOR THE DIRECTOR

FROM: John C. Weicher

SUBJECT: Friday Economic and Financial Report

Interest Rates Stabilize After Recent Jump

This week, interest rates stabilized and even fell slightly on long maturities. That's a welcome change from the prior week's increase of 20 basis points. February's Consumer Price Index, released this week, was a bit better than the market expected, with about a 5 percent annual rate rise overall and also excluding volatile food and energy items. Despite this good news, the underlying rate of inflation this year has averaged 5.3 percent, up about 1/2 percentage point from last year.

Consumer Price Index
(% change, annual rate)

	December to December				Jan	Feb
	1985	1986	1987	1988	1989	
Total	3.8	1.1	4.4	4.4	7.2	5.1
Food	2.7	3.8	3.5	5.2	9.3	5.0
Energy	1.9	-19.5	8.2	0.5	9.8	6.9
Ex. Food & Energy	4.3	3.8	4.2	4.7	5.9	4.8

Fed Chairman Alan Greenspan and Vice-Chairman Manuel Johnson, in separate remarks on Wednesday, made clear that the Fed has stopped raising the federal funds rate for the time being while they wait for the effects of their previous tightening moves to appear. They stressed the long lags in monetary policy and their desire to avoid overkill and reduce the possibility of a recession. This is a clear sign that the FOMC, which meets next week, is unlikely to change policy.

The bond market bounced up a bit after the Fed officials' remarks, but the stock market headed down. In the past week, technology stocks have been hit on reports of lower earnings. IBM and Digital Equipment dropped by over 8 percent. Weakness at these major computer manufacturers is a signal of a slowdown in investment spending.

Nominal interest rates are now about 1/2 percentage point higher on long maturities and 1-1/4 percentage point higher on short maturities than projected in the budget. While this increases outlays and the deficit, the effects will be almost entirely offset by higher-than-expected inflation. Tax receipts increase proportionately to the rise in prices, while noninterest program outlays are slower to adjust in the short run. Eventually, outlays are likely to be adjusted for higher inflation, so that receipts and outlays change about equally.

Of course, higher inflation is bad news for the economy and threatens the continuation of the expansion, but it has a roughly neutral effect on the deficit in the long run. What really matters for the budget is real interest rates and real growth rates. This year's rise in nominal interest rates has been fairly closely matched by rising inflation, with little average change in real rates. Real growth was slightly higher than the Administration's projection for the fourth quarter of 1988. The budget assumes a decline in real interest rates and healthy growth over the next year and a half, a more favorable outcome than most private sector forecasts. But so far, overall economic performance is consistent with the economic projections that matter most for the budget.

Fourth Quarter GNP

Now that all the data are in for the final quarter of last year, it is clear that the economy was somewhat stronger than initially reported. The Bureau of Economic Analysis places real GNP growth at a 2.4 percent annual rate, up 0.4 percentage points from the prior reading. A change of this magnitude is not exceptional, in fact, it is equal to the average revision during the past dozen years. Excluding the drought, which cut 1.1 percentage points off the growth rate, real GNP rose at a 3.5 percent annual rate. Over the four quarter of the year, GNP also rose 3.5 percent excluding the drought's effects.

The fourth quarter inflation estimates were not revised. The GNP implicit price deflator was up at a 5.3 percent annual rate and the GNP fixed-weighted price index, which is based on a constant composition of output, was up at a 4.2 percent rate. (See attachment for details of fourth quarter GNP.)

The Administration has assumed that rising interest rates over the past year will put a damper on nonfarm growth this year, but not enough to cause unemployment to rise. The year is still young, but there are signs that this is already happening. The

sectors that were at the forefront of the expansion last year are moderating. Manufacturing production and employment slowed during the first two months of this year. In part, this reflects diminished competitiveness because of the dollar's appreciation. On the domestic front, businesses' orders for new equipment have not risen since the third quarter of last year, which will curb capital spending in the coming months. Finally, consumer spending also waned in January and February as auto sales slumped. At the same time, unemployment has actually fallen.

A slackening pace does not necessarily signal an end to the expansion. In fact, the composite index of leading indicators rose 0.7 percent in December and 0.6 percent in January, the most recent months available. That's the best back-to-back showing since last June and is consistent with the Administration's forecast for continued growth in the nonfarm economy, albeit at a slower pace than during 1988.

The Evolution of Home Finance: Part I

The problems of the Federal Savings and Loan Insurance Corporation have simultaneously focused public attention on the American housing finance system and obscured the nature of the fundamental changes that have occurred over the last decade. This story is the first in a series on the housing finance system. It describes the evolution of the system. Subsequent stories will discuss the changes in the mortgage instrument itself, in origination and servicing, and in the sources of funds for mortgages.

A Flawed Foundation

The "traditional housing finance system," dating back to the Depression, was in reality two essentially competing systems of home finance, each with Federal support: the thrift industry, and the separate system of FHA/VA insurance and secondary market development designed to attract commercial banks, life insurance companies, pension funds and other investors to mortgages.

- Federal support for thrifts was initiated by President Hoover. The Federal Home Loan Bank System was created in 1932 to charter and regulate Federal savings and loan institutions, and to provide advances (loans) to all S&Ls. This was supplemented in 1934 by the creation of the Federal Savings and Loan Insurance Corporation to insure thrifts' deposits. The thrifts originated, serviced, and held mortgages in their own portfolios.

- President Roosevelt started the Federal Housing Administration in 1934 to insure mortgages, hoping to encourage commercial banks and other institutions to originate and hold them. The Federal National Mortgage Association (Fannie Mae) was established in 1938 to create a secondary market for FHA insured mortgages. In the immediate postwar period, the

Veterans Administration joined the FHA as a mortgage insurer. In this system, there was a split between origination and investing: mortgage bankers typically originated and serviced mortgages, but sold them directly or through Fannie Mae to other institutions which were the ultimate investors.

The S&Ls were heavily regulated, in return for deposit insurance and preferential access to capital markets, and the regulations eventually hamstrung the system. S&Ls were required to hold most of their assets in mortgages. They were permitted to originate mortgages only within 50 miles of their home office. These holdings were financed primarily by local savings deposits. Restricting thrifts to mortgages, primarily local, ignored the wisdom of portfolio diversification. Moreover, financing portfolios of long-term, fixed-rate mortgages by short-term savings deposits exposed thrifts to interest rate risk. So long as interest rates were relatively stable, such lending was profitable. But when interest rates rose, shocked by inflation, this term mismatch led to tremendous losses.

Accelerating Inflation

As inflation ratcheted upward in the mid-1960s, the early 1970s, and again in the late 1970s, these flaws became evident. In 1966, Regulation Q, which restricted the interest rates that commercial banks could pay on deposits, was extended to S&Ls in the hope of holding down their cost of funds. Instead, it resulted in disintermediation -- a reduction in the growth of deposits available for mortgage lending. On the second ratchet in the early 1970s, money market mutual funds were created; they invested in relatively short-term, high-quality assets, and were free of the restrictions on insured depository institutions. In the third cycle, MMMFs skyrocketed from $3.5 billion in 1977 to $180 billion in 1981; there was a net decline in thrift deposits. The first effect of inflation was to limit and destabilize the funds thrifts had available for home finance.

The second, closely related, effect was to reduce thrifts' profits and the value of their portfolios. On a market value basis, by 1980 the industry as a whole had a negative net worth of about 12.5% of assets. Although this industry-wide figure improved as interest rates came down in the 1980s, a substantial and growing fraction of the industry was insolvent. In any other industry, they would have gone out of business. But insolvent depository institutions can only go out of business when the Federal Government closes or merges them. Instead, the FSLIC exercised forbearance. Many thrifts with little or no net worth continued in business, competing for funds, increasing the volume of originations, and seeking higher returns. Their decisions were subject to moral hazard; they might profit, but with no equity, they could lose no more.

The nature of the mortgage instrument was also affected by the continuing inflation. As rising home prices and higher interest rates reduced the affordability of homes, potential buyers sought both lower down payment requirements and easier monthly terms. On the lenders' side, high and variable inflation created a desire for variable or adjustable rate mortgages, which would shift some of the interest rate risk to the borrower.

Bundles and Packages

Another major force restructuring the mortgage market in the 1970s was the increasing power and diminishing cost of computers and telecommunications. New information technology made it possible to "unbundle" different mortgage services so that different firms could handle origination, insurance, servicing, and holding. It also made possible the securitization of mortgages. This financial innovation "packaged" the cash flows on a pool of mortgages into a variety of securities. These securities, with quite different characteristics than the underlying mortgages, were designed to appeal to a variety of investors. They were sold in the secondary market, and were more liquid than the underlying mortgages. Securitization will be discussed more fully in a forthcoming article in this series.

The establishment of the Government National Mortgage Association (Ginnie Mae) in 1968 accelerated the development of the secondary market. Ginnie Mae bought FHA and VA insured mortgages, and created pass-through securities on which it guaranteed timely payment of principal and interest. In 1970, the Federal National Mortgage Corporation (Freddie Mac) was chartered and charged with creating a secondary market in conventional (uninsured) mortgages to increase the liquidity of thrifts, and Fannie Mae was permitted to buy conventional loans as well. As a result, mortgage qualifying and underwriting standards became more uniform to facilitate sale to the secondary market.

The Culmination

By the end of the 1970s, these forces created massive pressures for changes in the housing finance system. To permit thrifts to compete for funds and smooth the flow of financing for mortgages, the Depository Institutions Deregulation and Monetary Control Act of 1980 set up a schedule for the elimination of deposit rate ceilings and the Garn-St Germain Act of 1982 authorized a deposit account similar to money market fund accounts. The DIDMCA also permited thrifts to hold up to 20% of assets in consumer loans, commercial paper, and long-term corporate debt; Garn-St Germain permitted investment in corporate and government securities with no geographic limitation and increased the allowable limit for these non-mortgage investments to 40% by 1984. For mortgages, geographic limits on origination had been widened in several stages, and by 1983 were eliminated throughout the nation. And in 1981, thrifts were permitted to originate and hold any kind of adjustable rate mortgage.

The result of these changes is that the housing finance system of 1989 is much removed from the system of 1979, and vastly different from that of 1969. Twenty years ago, nearly all mortgages carried fixed rates for terms of 25 to 30 years; more than half were originated by S&Ls, and more than half were held by them in their own portfolios; few were sold in the secondary market; and mortgage securities were unknown. Moreover, interest rates then were much lower. Before the 1970s, S&Ls lived in a friendly environment, one that enabled them to grow and prosper. High inflation and new information technologies have changed all that: today's environment is a hostile one for S&Ls. It is no wonder that they have to struggle to survive.

Sweet Forecast Worth Hill of Beans

OMB is widely regarded as having the best bean counters in the world, and the Office of Economic Policy has the best of the best. This week, OEP's Jim Simpson won the NEOB cafeteria's jellybean counting contest. His estimate of 539 beans was closest to the actual count of 535, an error of less than 1 percent. The next closest was 619 beans. According to an informed source, most estimates were in the low thousands, which reinforces the view that OMBers believe in rosey scenarios. But not OMB's economists: Jim has provided proof positive that realism prevails in this office! "Forecasting is not an exact science", but this forecast was right on the bean, er-- beam.

HAPPY EASTER!

FOURTH QUARTER GNP

The economy grew at a revised annual rate of 2.4 percent in the fourth quarter, up 0.4 percentage points from the previous estimate. Excluding the drought, fourth quarter GNP was 1.1 percentage points higher. Inflation, as measured by both the implicit price deflator and the fixed-weighted index, remained unchanged; therefore all of the increase in nominal GNP was attributable to higher real growth.

	1988				
	Q1	Q2	Q3	Q4 Prelim.	Q4 Final
	(% change, saar)				
Real GNP	3.4	3.0	2.5	2.0	2.4
Excluding Drought	3.4	3.9	3.0	3.1	3.5
GNP Price Deflator	1.7	5.5	4.7	5.3	5.3
GNP Fixed-Weighted Price Index	3.5	5.0	5.3	4.2	4.2
Nominal GNP	5.4	8.7	7.3	7.2	7.6

The boost to fourth quarter GNP came mostly from business fixed investment, which was down less than initially measured, and from higher federal spending. Most of the higher federal nondefense revision was due to transactions of the Commodity Credit Corporation (CCC). Growth of consumption and residential investment was unchanged. The upward revisions more than offset a deterioration in the net export balance.

Business Fixed Investment	7.6	15.0	4.0	-4.6	-2.9
Personal Consumption	4.5	3.0	3.9	3.5	3.5
Residential Investment	6.5	0.2	4.3	10.9	10.9
Federal Government	-21.0	4.7	-13.2	16.8	20.7
Defense	-5.3	-1.5	-10.5	7.5	9.9
Nondefense	-60.1	33.2	-22.5	60.5	71.5
Nondefense Excluding CCC	-1.9	1.5	-12.9	8.0	10.9
State and Local	3.5	3.2	1.1	5.1	6.0

The real net export deficit widened, mostly due to a downward revision in exports. Imports were revised up slightly. Inventories remained essentially unchanged.

	($82 billions)				
Net Exports	-109.0	-92.6	-93.9	-103.3	-105.4
Exports	486.2	496.9	514.0	523.6	522.1
Imports	595.1	589.5	607.9	626.8	627.4
Inventory Change	66.0	35.3	39.5	29.3	29.1
Nonfarm	51.9	30.1	40.4	37.7	37.6
Farm	14.1	5.3	-0.8	-8.3	-8.5

Nominal and real disposable income were revised downward as a result of smaller gains in wages, proprietors' income and interest income. Corporate profits in the fourth quarter increased sharply. The quarterly pattern of profits last year was quite volatile, but overall they rose 7.5 percent.

	(% change, saar)				
Nominal Disposable Income	7.4	5.6	10.4	9.4	8.8
Real Disposable Income	5.0	0.0	5.6	4.8	4.1
Saving Rate (%)	4.4	3.7	4.2	4.5	4.3
Corporate Profits	0.1	13.7	4.4	NA	12.6

RECENT ECONOMIC INDICATORS MARCH 24, 1989
(S.A. OR AS INDICATED)

	Feb-88	Mar-88	Apr-88	May-88	Jun-88	Jul-88	Aug-88	Sep-88	Oct-88	Nov-88	Dec-88	Jan-89	Feb-89
GNP (QUARTERLY SERIES, % A.R.)													
NOMINAL GNP	5.4			8.7			7.3			7.6			
REAL GNP	3.4			3.0			2.5			2.4			
IMPLICIT PRICE DEFLATOR	1.7			5.5			4.7			5.3			
FIXED-WEIGHT PRICE INDEX	3.5			5.0			5.3			4.2			
REAL DISP. PERS. INC.	5.0			0.0			5.6			4.1			
OPERATING PROFITS	0.1			13.7			4.4			12.6			
LEADING AND COINCIDENT INDICATORS													
LEADING INDEX	140.3	140.8	141.5	141.5	143.9	142.7	144.1	143.7	143.9	143.9	144.9	145.7	NA
PERCENT	1.2	0.4	0.5	0.0	1.7	-0.8	1.0	-0.3	0.1	0.0	0.7	0.6	NA
COINCIDENT INDEX	126.5	127.3	127.3	127.6	128.5	128.9	129.3	129.3	130.6	130.7	131.6	132.9	NA
PERCENT	0.7	0.6	0.0	0.2	0.7	0.3	0.3	0.0	1.0	0.1	0.7	1.0	NA
INDUSTRIAL PRODUCTION	134.4	134.7	135.4	136.1	136.5	138.0	138.5	138.6	139.4	139.9	140.5	141.1	141.1
PERCENT	0.0	0.2	0.5	0.5	0.3	1.1	0.4	0.1	0.6	0.4	0.4	0.4	0.0
CAPACITY UTIL. MFG.	82.6	82.7	82.9	83.3	83.3	84.0	84.0	84.0	84.3	84.4	84.5	84.8	84.6
EMPLOYMENT INDICATORS													
CIVILIAN EMPLOYMENT, MIL.	114.3	114.1	114.7	114.4	115.0	115.0	115.2	115.4	115.6	115.9	116.0	116.7	116.9
CIV. UNEMPLOYMENT RATE, PERCENT	5.7	5.6	5.5	5.6	5.4	5.4	5.6	5.4	5.3	5.4	5.3	5.4	5.1
NONFARM PAYROLL EMPLOYMENT, MIL.	104.7	105.0	105.3	105.5	106.1	106.3	106.4	106.7	107.0	107.4	107.6	108.1	108.3
AVG. WEEKLY HOURS, MFG.	41.0	40.9	41.2	41.0	41.1	41.1	41.0	41.2	41.2	41.2	40.8	41.0	41.0
INITIAL CLAIMS UNEMP. INS.,THOUS.	321.6	308.0	304.5	310.8	304.1	325.4	305.1	292.8	295.4	300.5	309.0	292.5	308.8
CONSUMER SECTOR													
RETAIL SALES, BIL. $	131.9	133.7	133.2	134.1	135.0	136.7	136.1	135.8	137.8	139.5	139.2	140.1	139.5
PERCENT	1.2	1.3	-0.3	0.7	0.7	1.2	-0.4	-0.2	1.5	1.2	-0.2	0.7	-0.4
TOTAL AUTO SALES, MIL. UNITS, A.R.	11.1	10.6	10.5	10.4	11.0	10.7	10.6	10.6	9.8	10.2	11.5	9.8	9.9
DOMESTIC	7.9	7.5	7.2	7.3	7.8	7.8	7.4	7.6	6.8	7.2	8.4	7.0	7.1
IMPORTED	3.2	3.1	3.3	3.0	3.1	3.0	3.2	3.1	3.0	2.9	3.1	2.7	2.8
PERSONAL INCOME, BIL. $, A.R.	3946.7	3985.9	4001.0	4021.4	4044.9	4075.3	4091.8	4114.7	4175.5	4165.2	4200.8	4272.9	4315.3
PERCENT	0.6	1.0	0.4	0.5	0.6	0.8	0.4	0.6	1.5	-0.2	0.9	1.7	1.0
DISP. PERS. INC., BIL. $, A.R.	3376.7	3406.4	3357.6	3441.5	3465.3	3491.1	3505.9	3525.5	3580.0	3567.9	3599.5	3659.9	3699.7
PERCENT	1.0	0.9	-1.4	2.5	0.7	0.7	0.4	0.6	1.5	-0.3	0.9	1.7	1.1
REAL DISP. PERS. INC., BIL. $, A.R.	2768.0	2779.2	2721.5	2776.5	2788.4	2797.0	2802.2	2802.0	2832.5	2818.5	2834.3	2863.4	2889.6
PERCENT	1.0	0.4	-2.1	2.0	0.4	0.3	0.2	0.0	1.1	-0.5	0.6	1.0	0.9
PERS. CONSUMP. EXP., BIL. $, A.R.	3125.4	3149.0	3161.3	3190.9	3231.5	3241.7	3271.7	3270.2	3307.7	3325.4	3346.0	3357.9	3375.7
PERCENT	0.5	0.8	0.4	0.9	1.3	0.3	0.9	0.0	1.1	0.5	0.6	0.4	0.5
REAL PERS. CONSUMP. EXP., BIL. $, A.R.	2562.0	2569.2	2562.5	2574.3	2600.3	2597.3	2615.0	2599.1	2617.1	2626.9	2634.6	2627.2	2636.6
PERCENT	0.5	0.3	-0.3	0.5	1.0	-0.1	0.7	-0.6	0.7	0.4	0.3	-0.3	0.4
HOUSING SECTOR													
HOUSING STARTS, THOU. UNITS, A.R.	1511.0	1528.0	1576.0	1392.0	1463.0	1478.0	1459.0	1463.0	1532.0	1567.0	1577.0	1690.0	1498.0
SINGLE-FAMILY	1095.0	1169.0	1087.0	1001.0	1088.0	1067.0	1076.0	1039.0	1136.0	1138.0	1141.0	1202.0	1045.0
HOUSING PERMITS, THOU. UNITS, A.R.	1429.0	1476.0	1449.0	1436.0	1493.0	1420.0	1464.0	1394.0	1516.0	1516.0	1566.0	1507.0	1404.0

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

Main 202/523-8271 Fax 202/523-9072

TO: MARK LANGE
WHITE HOUSE

FROM: E. KHACHIGIAN

NOTES: NAM INFO

Enjoy.

NAM POLICY ON A COMPETITIVE WORKFORCE IN A GLOBAL ECONOMY

A skilled labor force is a basic requirement for economic growth and prosperity. To compete successfully in a global economy, investment in human resources is at least as important as investment in equipment and technology. Flexibility is the key to that investment--that is, maintaining an approach that facilitates cooperation between the public and private sectors that permits each to perform those roles for which they are best equipped.

Education and Training. Education and training play pivotal roles in the nation's ability to maintain a skilled labor force.

- o If training/retraining programs are to be successful, they must be of mutual benefit to both employers and employees. Business operates the most effective training program in the nation--its own. Companies spend an estimated $30 to $50 billion a year formally educating and training employees. Informal training has been estimated to run as much as $180 billion a year. In light of rapid changes in technology and heightened global competition, businesses are encouraged to approach training and retraining systematically and to fully integrate such programs into the ongoing planning and operation of a firm. Public policy should promote continued business efforts and public programs should relate to private sector endeavors.

- o To meet America's competitive challenge, a state-of-the-art public training and educational system is required. Modernization of America's public education and training system, therefore, is essential. In this process, greater business partnership in educational and training efforts at all levels should be stimulated and incentives for increased cooperation explored.

- o The key to more relevant education and training programs is improved linkage between employers and education and training institutions. For example, Private Industry Councils under the Job Training Partnership Act, which require 51% business participation, provide an example for public-private partnerships and could be used as a starting point for even more improved cooperative efforts. This partnership is especially crucial for small businesses, which are often financially and logistically unable to provide in-house training and retraining.

- o Any employment and retraining efforts should be based on future market demands for jobs and should be directed towards private sector needs.

Dislocated Workers

Change is an integral part of the nation's efforts to promote and maintain strong, self-sustaining, non-inflationary economic growth. To facilitate that change and minimize its adverse impacts, the nation's workers, business and the economy as a whole would benefit from a competent, versatile, systematic and voluntary approach to readjustment.

- o In order to avoid displacement, business is encouraged, when feasible, to adopt policies such as use of interplant transfers, reduced work weeks, job-sharing, and use of other-than-regular employees. If displacement is unavoidable, business is encouraged as much as possible to ease the burden of dislocation voluntarily through such activities as job counseling, job search assistance, retraining, outplacement assistance and by providing as much advance notice as possible.

- o Public education programs and private sector readjustment efforts can be more effective if coordinated and should have the following characteristics: cost-effectiveness, broad coverage, easy access, simplicity, limited red tape, individual choice, flexibility and linkages with existing programs.

- o The unemployment insurance system, which is funded by employers, should provide incentives for workers to seek reemployment or retraining. Alternative approaches to disbursement of UI benefits should be explored to accomplish employment incentive. UI funds should be used for benefits unless exploration clearly indicates that alternative use would lead to more rapid employment. State tax treatment of UI should reflect a sound experience-rating system.

- Employment service. Payroll taxes collected to operate an effective, efficient public employment service should be used for their intended purpose and not held for other governmental purposes. An effective, efficient ES could provide up-to-date labor market information; facilitate matching employer job requirements with skilled employees; provide assessment, testing and counseling in coordination with loca vocational, technical and training schools and employers.

Illiteracy, Drop-outs

Business has a vital interest in a literate, educated workforce in order to meet competitive challenges. Training and retraining workers for new job skills is never an easy task, but without a foundation of basic skills, it becomes a major and expensive task. Workers with low abilities in basics such as reading, writing and arithmetic are a factor in lower productivity, workplace accidents, customer dissatisfaction and real problems in using new technologies needed to meet world competition. Businesses can assist local communities with educational efforts in a variety of ways, including serving on local university, vocational, technical and secondary school boards; donating equipment; lending staff and assisting in school management where needed; participating in teacher and counselor improvement programs, encouraging employee volunteer activity and providing learning through work experience and volunteer activity sites. Businesses are encouraged to develop cooperative relationships with technical schools and local community colleges to ensure that curriculae meets present and future business needs.

Adopted February 5, 1987

THE WHITE HOUSE

WASHINGTON

FRINGE BENEFITS FOR AMERICAN WORKERS

Workers are Receiving More Fringe Benefits than Ever Before

- According to Chamber of Commerce estimates, total benefits reached $813.9 billion in 1987, up 163 percent in a decade.

- In 1987, total benefits reached a record 36.2 percent of wages and salaries. That is more than twice the share wages in the late 1950s.

Non-Cash Fringes, Especially Time Off, Is Rising Most Rapidly

- Payment for Time Off amounted to 11 percent of payroll in 1987, equivalent to 28.6 days off. Of this:
    - 14.8 days (or 3 weeks) were paid vacation
    - 8.6 days were paid holidays
    - 3.6 days were paid sick days
    - 1.6 days were for other reasons, including parental leave

- Twenty years ago, time off amounted to 20.5 days per year. Ten years ago it was 25.5 days.

Total Cash Fringes are Rising But Declining as a Percent of Payroll

- Total Cash Fringes reached $652 billion in 1987, up 141 percent in a decade.

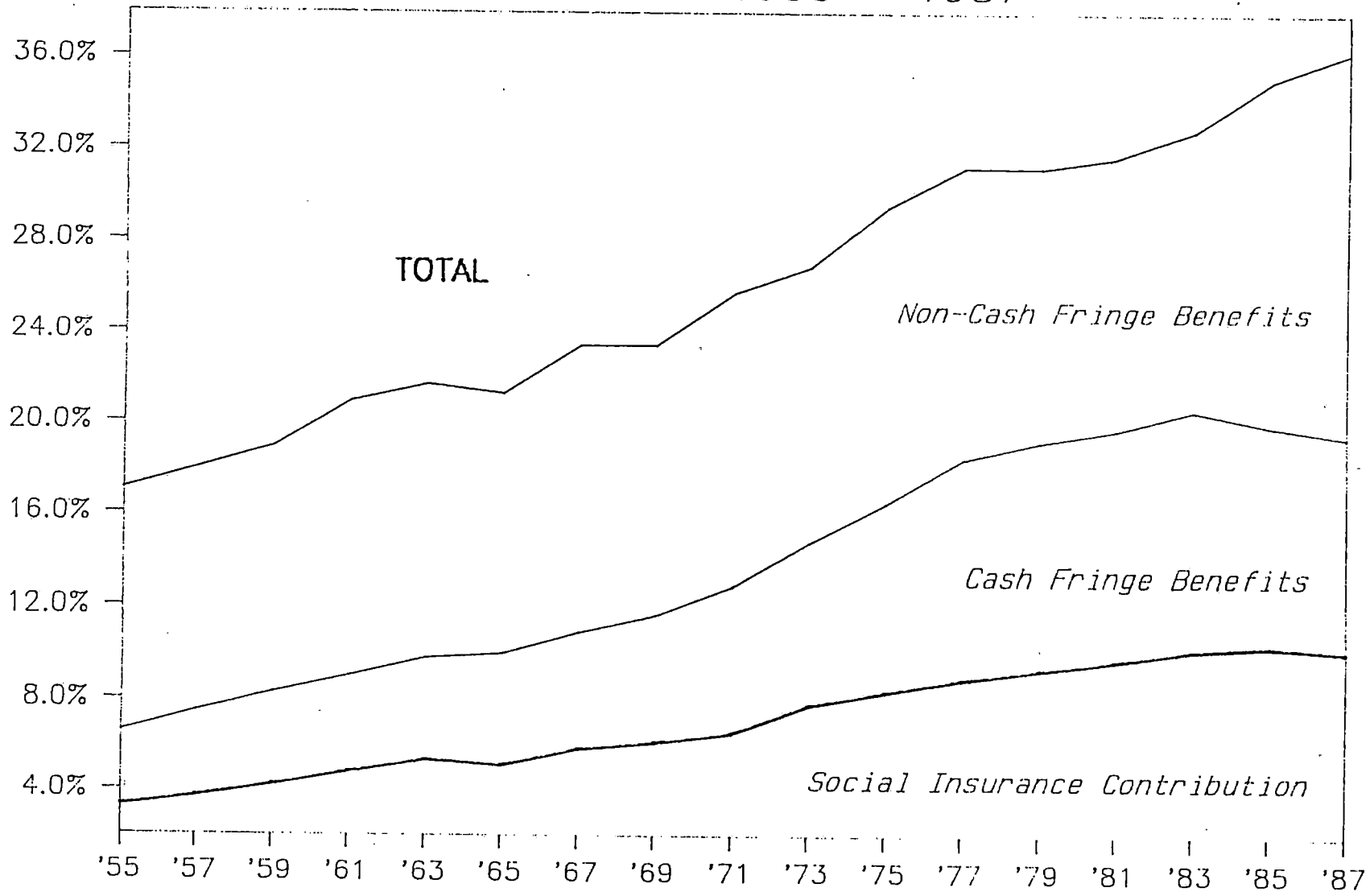
- This was 19.3 percent of payroll, down from a peak of 20.6 percent in 1983, but still higher than the 18.4 percent of a decade ago. Possible reasons for this:
    - With lower tax rates, cash fringes are less attractive relative to wages than they used to be.
    - The rising stock market has meant that companies need to contribute less new money to fund their pension plans.

The Market, Not Government Is Responsible For Rising Fringes

- 79 percent of the growth in the fringe share of compensation is due to voluntary action by employers. Only 21 percent is due to government requirements.

BENEFITS AS A PERCENTAGE OF WAGES

ODD YEARS 1955 – 1987



American
Business
Conference

A Coalition of Growth Companies

116

TELECOPIER TRANSMISSION

FROM

AMERICAN BUSINESS CONFERENCE

DATE: 3/29 TIME: 9:35

TO: MARK LANGE TELECOPIER #

DEPARTMENT: TELEPHONE #

COMPANY:

FROM: JOHN ENDEAN TELECOPIER # (202) 467-4070

TELEPHONE # (202) 822-9300

NUMBER OF PAGES TO FOLLOW: 2

REMARKS: RE PRESIDENT BUSH'S REMARKS BEFORE AMERICAN BUSINESS CONFERENCE

NOTE: IF THERE ARE ANY QUESTIONS REGARDING THIS DOCUMENT, PLEASE CALL _____ AT THE ABOVE NUMBER.

American
Business
Conference

A Coalition of Growth Companies

MEMORANDUM

To: Mark Lange
From: John Endean
Date: March 29, 1989

Attached are a few examples of ABC members' activities on behalf of educational excellence. Quite candidly I have not included the names of the executives in the examples I have given because virtually all one hundred of our members are involved in one way or another in this issue and we are sensitive about singling out for special mention only half a dozen or so.

It is a cliche to say that business is "concerned" about educational excellence. I think what distinguishes our CEOs is their willingness to spend a remarkable amount of their own time making good on that generalized concern.

ABC members, the chief executives of high growth, entrepreneurial firms, are directly and personally involved in promoting better educational standards at all levels in their local schools and colleges. Some examples:

- A number of ABC executives have taken the lead in their home cities in public-private partnerships to explore what the appropriate role for business is in improving K-12 education.

- One ABC chief executive is sponsoring a geography and political/economic class for 5th through 8th graders in his local grade school. He is planning to give about $5,000 to the program and will also do some of the teaching because he believes that to be competitive in the world "we had better understand it." He plans to focus on science and math next.

- Several ABC executives hold part-time teaching positions in local colleges and universities.

- An ABC executive has begun a continuing education center for employees. At the company's expense, 65 men and women will take a 30-week course to improve their reading skills. The program will be undertaken in cooperation with the local community college.

- A Minnesota-based chief executive has been very active in promoting parental choice in selecting public schools for children. So crucial is improved education to this executive's company that he has hired someone to work full-time on the issue.

- An ABC chief executive's interest in education led him to become involved in the establishment of several Montessori Schools.

- An ABC executive is Chairman of the Boston Museum of Science and has in that capacity been instrumental in promoting science education in the Boston schools.

- Well over one third of ABC chief executives serve on either a local school board, on the board of a private secondary school, or on the board of a local college or university.

1:00 Sunday
Thornburgh
633 - 3465

LEXIS® NEXIS® LEXIS® NEXIS®

(Lange/Martin)
March 17, 1989
5:45 p.m.

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF MANUFACTURERS
WASHINGTON, D.C.
THURSDAY, MARCH 23, 1989

Thank you, [Dick]. You know, I understand a few of you were concerned about the 1984 Trade Report, heralding the arrival of the "post-industrial" society. And I have to confess, that whenever anyone talks to me about some "post-industrial" society, I have doubts of my own.

Would such a place get along without plumbers, for instance. And if such a society could exist, I wonder if either its pipes or its theories would hold water.

For now, I'm willing to bet my last dollar on manufacturing in America. At least until somebody can show me how to wear a piece of information, or parallel-park a concept.

American manufacturing has been -- and continues to be -- the backbone of this economy. It's been estimated that every new manufacturing job creates three other jobs here at home.

I've been a great admirer of the export-driven, rust-belt renaissance you've kicked off. Last year, the merchandise trade deficit dropped by a fifth. Exports surged to an all-time high. And manufacturing productivity is also now at record levels. The

quality of American exports is arguably better than it has ever been. And in terms of sheer output, American factories have never done better.

Now, there's a lot of talk about competitiveness going around these days -- and these facts and figures are all ways of measuring it.

But competitiveness is more than just the latest trade figures, the latest quarterly earnings -- or the latest poll, the latest election, or the latest Nielson ratings, for that matter. Surely our success can be measured by better methods than these. In your industry, as in mine, this may be a good time for us to look toward a longer horizon.

We stand at a special moment in American history. We are prosperous... and we are at peace.

At such a point, we are empowered -- even required -- to set our sights higher. To look farther ahead. It is a time to make choices. A time to answer those questions that will have the farthest-reaching impact on our success as a society.

The 21st century is less than a dozen years away now.

You've called this conference "The New Leadership Summit." Well, whatever else you think about leadership -- or vision, for that matter -- it's not lofty rhetoric, charisma, or clairvoyance.

No, it may be as simple as understanding where an organization finds itself, right now; seeing where it wants to go; and knowing how to get there. Above all, it's playing the long game, whatever the odds -- and playing for keeps. So today I'm like to outline my agenda for the next American century.

To build a better America, one of the most important priorities for this government will be to build savings and long-term investment -- and get our fiscal house in order. This means, first off, bringing down the deficit.

Last month, I submitted a budget to Congress with a clear agenda to cut the Federal deficit, and enhance business' ability to plan, expand, and build. My friends, next year alone, Federal tax revenues will rise by more than $80 billion -- and yes, here I go again -- with <u>No New Taxes</u>. Our plan will hold the line on spending, using that revenue to slash the deficit by more than 40 percent -- bringing it down below the mandated targets.

To encourage long-range investment and entrepreneurship in businesses of <u>all</u> sizes, it's time we restored the capital gains differential. This is another case where less means more. More

revenue to the Federal government -- $4.3 billion more, according to Treasury estimates. More savings, and more investment. More competitive, flexible businesses. More opportunities for innovation. And more jobs for all Americans.

This is no tax break for the rich. It's a fair shake for America.

To spur investment in basic research, we've proposed a permanent extension of the research and experimentation tax credit. A 13 percent increase for science and technology programs. And we intend to stay on track in our effort to double the National Science Foundation's budget by 1993.

To support capital formation, we will encourage personal savings, and restore the integrity of our nation's savings and loans institutions. Our plan has been well-received on both sides of the aisle on Capitol Hill -- and I've asked for action within 45 days.

We want to ease the pressures now building on the most important organization in America -- the family -- by promoting choice on issues like child care. So last week I sent legislation to Congress that puts money and options in the hands of parents, rather than bureaucracies. Our plan empowers all families: dual earners, single parents, those who choose to

remain at home; those who prefer informal, neighborhood arrangements; and especially those on low incomes, struggling to be self-sufficient.

Lasting self-sufficiency, of course, means quality education. And I see education as long-range planning at its best -- a solution for the next century, for problems we haven't even begun to recognize yet. It is an essential key to our competitive future. Let no one suggest that education is a minor matter on the national agenda. It is vital to everything we are, and can become.

But there are no quick fixes here, either. No stop-gap solutions. Like most of the long-term issues on the national agenda, American education won't be fixed with a bolt of lightning here, a puff of smoke there. It will take collective effort at all levels, public and private, to get it right. Those businesses that are involved with local schools -- developing the workforce at its source -- are making fail-safe investments. And they stand to reap the greatest rewards.

For those workers already on the line, we must build new skills and flexibility as jobs change. By one estimate, 75 percent of all people now working will need some kind of retraining before this century is over. The NAM policy position you adopted last year said that "investment in human resources is

at least as important as investment in equipment and technology." And you're absolutely right.

The astounding gains in productivity you've already achieved can be pushed still higher -- but we'll have to look beyond upgrades to plant and equipment. Ever since the 1930s, machine capital has contributed only about 20 percent to productivity. Most of this country's productivity improvements -- and most of our growth in national income -- have been directly linked to labor quality: and that means training, and retraining.

I'm reminding you of something you already know: machinery and technology alone don't improve productivity. People do.

Another issue where we plan to play for keeps: We're determined to get drugs out of the workplace. Drug abuse in the workplace costs $00 billion every year, putting productivity and lives at risk. Bill Bennett is off to a fast start. But we will also be looking to you to set effective, well-reasoned drug policies in your businesses.

Employers can teach their people to recognize the signs of substance abuse in their co-workers -- and understand how drug abuse hurts the non-users on the line.

Any long-term agenda must ask how we can leave the earth we've inherited a little better than when we found it. And, you know, this is no political litmus test. I think of Teddy Roosevelt as one of the great conservationists -- one of the great environmentalists. Our grandchildren should be able to fish on the same lakes we've enjoyed.

The time has come to set aside the partisan approach to these enormous environmental questions. We must devise a global answer to the problem of ozone depletion and global warming. We intend to make rapid progress on acid rain, and see that a new clean air bill is produced. And we've already broken ground in joining with other nations to call for the elimination of CFCs -- as well as adopting a tough new policy on the export of hazardous waste.

In this agenda for a new American century, I've asked you to consider a broad vision: long-term savings and investment; support for the family; education and retraining; stopping drugs; and cleaning up the environment. But we must rely on more than legislation.

We must rely on the dynamic spirit that is America. The spirit that says: Houses should not stand empty, while people lack shelter. Jobs should not go unfilled, while young men and

women stand idle on street corners. No one should go hungry, in the richest nation on earth.

We must promote local efforts to assure that every American can seize a share of prosperity -- and help to create more of it. Whether through the constellation of local community groups already at work -- or through new ideas, like our program for Youth Engaged in Service -- we will rely less on the collective wallet, and more on collective will.

But this does not mean lowering our sights, or our expectations. Just the opposite. In an era of tight budgets, we are <u>not</u> going to simply "make do with less." We're going to learn how to do <u>more</u> with less -- and do it better.

Yes, we are prosperous. And we are at peace. But such quiet moments often become pivotal in a nation's history.

My friends, the choices we make now will determine whether the door to the next American century is closing -- or opening wide, for all who dare to dream.

Thank you. God bless you. And God bless America.

(Lange/Martin)
March 17, 1989
11:00 a.m.

PRESIDENTIAL REMARKS: NATIONAL ASSOCIATION OF MANUFACTURERS
WASHINGTON, D.C.
THURSDAY, MARCH 23, 1989

Thank you, [Dick]. [acknowl. x, y, z...] [poss. line on "mountain elevators"; Dick Heckert likes to fish...]

My friends, I have to confess, whenever anyone talks to me about the "post-industrial" society, I have doubts. I wonder if it has plumbers, for instance. And if such a society does exist, I wonder if either its pipes or its theories can hold water.

For now, I'm willing to bet my last dollar on manufacturing in America. At least until somebody can show me how to wear a piece of information, or parallel-park a concept.

American manufacturing has been -- and continues to be -- the backbone of this economy. It's been estimated that every new manufacturing job creates three other jobs here at home.

U.S. industry is strong, and it's getting stronger. I've been a great admirer of the export-driven, rust-belt renaissance you've kicked off:

Last year, the merchandise trade deficit dropped by a fifth. Exports surged 27 percent, to an all-time high.

And manufacturing productivity is up by over one-third since 1981, to its highest level ever. In head-to-head competition, American workers still outperform their Japanese counterparts in terms of productivity.

From just about every angle, the quality of American exports is arguably better than it has ever been.

And finally, the sheer output of American factories is also at record levels. Over the course of this ongoing business expansion, manufacturing output has increased by more than 46 percent.

Now, there's a lot of talk about competitiveness going around these days -- and these facts and figures are all ways of measuring it.

But competitiveness is more than just the latest trade figures, the latest quarterly earnings -- or the latest poll, the latest election, or the latest Nielson ratings, for that matter.

Surely our success can be measured by greater means than these.

In your industry, as in mine, this may be a good time for us to look toward a longer horizon.

We stand at a special moment in American history. We are prosperous... and we are at peace.

At such a point, we are empowered -- even required -- to set our sights higher. To look farther ahead. It is a time to make choices. A time to answer those questions that will have the farthest-reaching impact on our success as a society.

The 21st century is less than a dozen years away now. You've called this conference "The New Leadership Summit." Leadership takes many forms. It appears in unexpected places. Throughout history, some of our best leaders have been those who served.

And vision, well, it's more than charisma, clairvoyance, or lofty rhetoric. It may be as simple as understanding where an organization finds itself, right now. Seeing where it wants to go. And knowing how to get there.

Above all, it's playing the long game, whatever the odds -- and playing for keeps.

If I were writing the history books, I'd hope to be remembered as a President who worked to prepare this country for the 21st century.

So today let me outline an agenda for the next American century. This administration is determined to:

-- encourage long-term investment and savings

-- preserve and support the most fundamental institution of American life, the family

-- prepare a generation of young people who'll have to be better educated than any before them, and retrain workers as jobs change

-- stop the scourge of drugs

-- clean up the environment

-- and promote a new kind of volunteerism, for widespread progress on a human scale.

These issues may never make for great sound bites. And they defy quick, easy solutions.

Maybe they even make me sound a little like the Mad Hatter -- you know, trying to imagine seven impossible things before breakfast. But in keeping with my view to the long-term, I think

of a great old Cole Porter tune: "The difficult, we'll do right now. The impossible will take a little while."

We cannot continue as we have in the past. We won't solve these problems by imitating the competition. We must forge our strategy carefully, deliberately -- and together hammer out our future with a clear eye and a steady hand.

American manufacturers have long been known for building a better mousetrap. Today let me ask you to think about what it's really going to take, to build a better America.

One of the most important priorities for this government will be to build savings and long-term investment -- and get our fiscal house in order. This means, first off, bringing down the deficit.

You know, the other day I saw a couple in a sports car, with a bumpersticker -- one of those great barometers of our time. And the bumpersticker said, "We're spending our kid's inheritance."

Maybe they were. Individuals can spend as they choose. But government can't. And this government will secure the next generation's financial future. We will see that they're not mortgaged to a mounting national debt.

Last month I submitted a budget to Congress with a clear agenda to cut the Federal deficit, and enhance business' ability to plan, expand, and build.

My friends, next year alone, Federal tax revenues will rise by more than $80 billion -- and yes, here I go again -- with No New Taxes.

Our plan will hold the line on spending, using that revenue to slash the deficit by more than 40 percent, bringing it down below the target mandated by Gramm-Rudman-Hollings.

To encourage long-range investment and entrepreneurship in businesses of all sizes, it's time we restored the capital gains differential. Bear in mind that the economies of the Pacific Rim -- the "four dragons" of Hong Kong, Singapore, Taiwan, and the Republic of Korea -- all completely exempt capital gains from tax.

This is another case where less means more. More revenue to the Federal government -- $4.3 billion more, according to Treasury estimates. More savings, and more investment. More competitive, flexible businesses. More opportunities for innovation. And more jobs for all Americans.

This is no tax break for the rich. No, it's a sure and proven path to widespread economic growth.

To spur investment in basic research, we've proposed a permanent extension of the research and experimentation tax credit. A 13 percent increase for science and technology programs. And we intend to stay on track in our effort to double the National Science Foundation's budget by 1993.

To support capital formation, we will encourage personal savings. Not only by keeping inflation in check -- but also by restoring the integrity of our nation's savings and loans institutions. Our plan has been well-received on both sides of the aisle on Capitol Hill -- and I've asked for action within 45 days.

Over the long run, it will be vital to help ease the pressures now building on that most important organization in America -- the family -- by promoting choice and options in issues like child care.

Last week I sent legislation to Congress that puts money in the hands of parents, rather than bureaucracies, without bias in favor of any one child care solution.

Our plan empowers <u>all</u> families: dual earners, single parents, those who choose to remain at home; those who prefer informal, neighborhood arrangements; and especially those on low incomes, struggling to be self-sufficient.

Education is long-range planning at its best -- a solution for the next century, for problems we haven't even begun to recognize yet. It is an essential key to our competitive future. Let no one suggest that education is a minor matter on the national agenda. It is vital to everything we are, and can become.

But there are no quick fixes here, either. No stop-gap solutions. Like most of the long-term issues on the national agenda, American education won't be fixed with a bolt of lightning here, a puff of smoke there.

It will take collective effort at all levels, public and private, to get it right. Those businesses that are involved with local schools -- developing the workforce at its source -- are making fail-safe investments. And they stand to reap the greatest rewards.

For those workers already on the line, we must build new skills and flexibility as jobs change. By one estimate, 75 percent of all people now working will need some kind of retraining before this century is over.

The NAM policy position you adopted last year said that "investment in human resources is at least as important as investment in equipment and technology." No doubt about it.

The astounding gains in productivity you've already achieved can be pushed still higher -- but we'll have to look beyond upgrades to plant and equipment.

Ever since the 1930s, most of this country's productivity improvements -- and most of our growth in national income -- have been directly linked to labor quality: and that means education, training, and retraining. Machine capital has contributed 20 percent, or less, to productivity.

I'm reminding you of something you already know: machinery and technology alone don't improve productivity. People do.

Right now we provide over $50 billion in tax relief incentives for plant and equipment, and R & D. And that's worthwhile. But we're only providing about $25 million in incentives for private investment in human resources.

That suggests that new buildings and machinery are 2,000 times more important than improving the skills and productivity of our workers. Well, as another old song goes, "it ain't necessarily so."

If employers need to shift more investment toward human capital, we need to give them the right incentives -- keeping

them revenue neutral -- and we need to give them the right degree of choice over where, and how, to make those investments.

It's good to see the increased attention companies are giving to training and development. Time was, when they used to think the H.R. guy was the one who made sure there was enough potato salad at the company picnic. Not anymore.

Long-range business success will depend more than ever on comprehensive, coordinated job training. Public-private partnerships -- like Private Industry Councils, working through the Job Training Partnership Act -- will be especially crucial for smaller businesses. They're a way to pool resources. And they work.

This administration will continue to look for ways to stimulate these partnerships, and provide incentives for the kind of education and training that meet market demands. Two days ago Secretary Cavazos unveiled a plan for vocational training that [did x, y, & z]. And more will be done.

You know, Henry Kissinger once said, "There cannot be a crisis next week. My schedule is already full." Well, I have to add one more to the schedule -- another issue where we plan to play for keeps: We've got to get drugs out of the workplace, and out of our schools.

Drug abuse in the workplace costs $00 billion every year, and puts productivity and lives at risk. Bill Bennett is off to a fast start. But we will also be looking to you to set effective, well-reasoned drug policies in your businesses.

Employers can teach their people to recognize the signs of substance abuse in their co-workers -- and understand how drug abuse hurts the non-users on the line. And where testing is concerned, it should be seen as a way out of trouble -- not a way out of work.

Another compelling long-term question is how we can leave the earth we've inherited a little better than when we found it. And, you know, this is no political litmus test. I think of Teddy Roosevelt as one of the great conservationists -- one of the great environmentalists. Our grandsons should be able to fish on the same lakes we've enjoyed.

The time has come to set aside the partisan approach to these enormous environmental questions. We must devise a global answer to the problem of ozone depletion and global warming. We intend to make rapid progress on acid rain, and see that a new clean air bill is produced. And we've already broken ground in joining with other nations to call for the elimination of CFCs -- as well as adopting a tough new policy on the export of hazardous waste.

In all of the central tenets of the agenda I've asked you to consider today -- long-term savings and investment, support for the family, education and retraining, stopping drugs, and cleaning up the environment -- we must rely on something much larger than legislation.

We must rely on the spirit of this great nation. The spirit that says: Houses should not stand empty, while people lack shelter. Jobs should not go unfilled, while young men and women stand idle on streetcorners. No one should go hungry, in the richest nation on earth.

In a country badly governed, wealth is something to be ashamed of. But in a country <u>well</u> governed, poverty is something to be ashamed of.

The last item on my agenda for the 21st century is to make volunteerism a part of the national culture. It is to assure that every American can seize a share of prosperity -- and help to create more of it.

Whether through the constellation of local community groups already at work -- or through new ideas, like our program for Youth Engaged in Service -- we must make progress through shared strength.

We will have to rely less on the collective wallet, and more on collective will. But this does not mean lowering our sights, or our expectations. Just the opposite.

In an era of tight budgets, we are not going to just have to "do with less." We're going to have to learn how to do more with less -- and do it better.

Yes, we are prosperous. And we are at peace. But such quiet moments can often become pivotal in a nation's history.

The hinges upon which this moment turns move silently. The choices are ours to make. Taken together, those choices will determine whether the door to the next American century is closing -- or opening wide, for all who wish to enter.

Thank you. God bless you. And God bless America.

1 There ain't no such animal.
Caption for cartoon of a farmer at the circus looking at a dromedary. From Life [November 7, 1907], credited to Everybody's Magazine

2 How old is Ann?
Popular phrase for "who knows?" [early 20th century][1]

3 The Pyramids first, which in Egypt were laid;
Next Babylon's Garden, for Amytis made;
Then Mausolos' Tomb of affection and guilt;
Fourth, the Temple of Dian in Ephesus built;
The Colossus of Rhodes, cast in brass, to the Sun;
Sixth, Jupiter's Statue, by Phidias done;
The Pharos of Egypt comes last, we are told,
Or the Palace of Cyrus, cemented with gold.
Seven Wonders of the Ancient World

4 Use it up, wear it out;
Make it do, or do without.
New England maxim

5 Earned a precarious living by taking in one another's washing. *Saying*

6 Something old, something new,
Something borrowed, something blue,
And a lucky sixpence in her shoe.[2]
Wedding rhyme

7 God looks after fools, drunkards, and the United States. *Epigram*

8 Oh, why don't you work
Like other men do?
How the hell can I work
When there's no work to do?
Hallelujah, I'm a Bum [c. 1907]

9 Old soldiers never die;
They only fade away![3]
British Army song [c. 1915]

10 She was poor but she was honest,[4]
And her parents was the same,
Till she met a city feller,
And she lost her honest name.
Song [c. 1915]

11 It's the same the whole world over,
It's the poor wot gets the blame,
It's the rich wot gets the pleasure,
Ain't it all a bloomin' shame?
Ib. chorus

[1] "Mary is 24 years old. She is twice as old as Ann was when Mary was as old as Ann is now. How old is Ann?" — *Braintwister in the New York Press* [October 16, 1903]
Answer: Ann is 18.

[2] There are variants for the less familiar last line, such as: And a silver sixpence in each shoe.

[3] See MacArthur, 771:7.

12 Fifty million Frenchmen can't be wrong.
Saying popular with American soldiers during World War I [1917–1918]

13 Say it ain't so, Joe.
Small boy to "Shoeless Joe" Jackson of the Chicago White Sox, as he emerged from a grand jury session [1920] on corruption in the 1919 World Series

14 Don't sell America short.[6]
Saying [c. 1925]

15 Lord, through this hour
Be Thou our Guide,
So by Thy power
No foot shall slide.
Westminster Chimes

16 Climb high
Climb far
Your goal the sky
Your aim the star.
Inscription on Hopkins Memorial Steps, Williams College, Williamstown, Massachusetts

17 Mother, may I go out to swim?
Yes, my darling daughter:
Hang your clothes on a hickory limb
And don't go near the water. *Rhyme*

18 See the happy moron,
He doesn't give a damn.
I wish I were a moron—
My God, perhaps I am! *Rhyme*

19 The difficult we do immediately. The impossible takes a little longer.
Slogan of United States Army Service Forces

20 Kilroy was here.[7]
Army saying, World War II

21 SNAFU (Situation Normal All Fouled Up).
Ib.

22 G.I. Joe.
World War II term for infantryman[8]

[5] Sometimes "forty" or "thirty" is heard instead of "fifty." When Texas Guinan and her troupe were refused entry into France [1931], she was quoted as saying: "It goes to show that fifty million Frenchmen *can* be wrong." She promptly renamed her show *Too Hot for Paris*, and toured the United States with it.

[6] The phrase may have stemmed from "Never be a bear on the United States," attributed variously to JUNIUS S. MORGAN [1813–1890] and J. P. MORGAN [1837–1913].

[7] See Faulkner, 838:14.

[8] This name, chosen for the soldier in Lieutenant DAVE BREGER's comic strip for *Yank*, the Army weekly, first

Nancy Johnson 225-4476

then they took a look at the prices for the things that they bought in 1986 and found a great disparity. The senior citizens in America found that it cost them a great deal more than 1.3 percent just to keep buying the goods and services they need to stay afloat. They thought something was wrong in Washington: they knew that prices had increased more than 1.3 percent in 1986.

What is so special about the spending patterns of the elderly? Well, for the most part they live on a fixed income, and that income is primarily devoted to paying for the essentials of life: shelter, food, heat, and medical care. I don't have to tell my colleagues that the price tag for health care went up over 7 percent in 1986.

The same holds true for public transportation services—up last year over 6 percent. In housing, we all know that interest rates have fallen and that buying a new house is now more affordable—but how many seniors buy a new house?

My legislation would require the BLS to compute a new CPI tailored specifically for the elderly. My bill would also require that Secretary of Labor study and investigate any administrative or legislative changes needed for the utilization of the CPI for the elderly in any of the several disability or retirement programs administered by the Federal Government.

Finally, the bill would require that the Secretary submit to Congress within 90 days after passage a detailed statement of his findings along with recommendations for legislation necessary for the utilization of the CPI-Elderly in final disability or retirement programs.

I believe this legislation is justified and necessary. The current CPI simply does not take into account the buying patterns and spending priorities of the elderly. We can develop a more honest and truthful index for the effects of inflation on our elderly—they deserve it.

H.R. —

A bill to provide for the monthly publication of a Consumer Price Index for the Elderly and to provide for the utilization of such an index in the determination of cost-of-living adjustments authorized under certain Federal programs for individuals who are at least sixty-two years of age.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the Secretary of Labor shall, through the Bureau of Labor Statistics, prepare and publish monthly a price index which accurately reflects the distribution of expenditures on goods and services purchased generally by individuals who are at least sixty-two years of age and have retired from the workforce. This index shall be known as the Consumer Price Index for the Elderly.

SEC. 2. (a) In the preparation of the Consumer Price Index for the Elderly, the Secretary shall study and investigate any legislative or administrative action necessary for the utilization of the Consumer Price Index for the Elderly in lieu of the Consumer Price Index currently in use in any of the several retirement or disability programs administered by the Federal Government. During the course of such study and investigation, the Secretary shall consult with the appropriate officers of the several Federal departments or agencies that provide separate retirement or disability programs for individuals who are at least sixty-two years of age.

(b) Within ninety days of the date of the enactment of this Act, the Secretary shall transmit to each House of the Congress a written report containing a detailed statement of his findings and conclusions as a result of the study and investigation made by him under subsection (a) together with his recommendations for legislation which he may deem necessary for utilizing the Consumer Price Index for the Elderly in provisions of law affecting retirement or disability benefits provided by the Federal Government to any individual who is at least sixty-two years of age.

□ 1920

INTRODUCTION OF THE NATIONAL TRAINING INCENTIVES ACT

The SPEAKER pro tempore (Mr. COOPER). Under a previous order of the House, the gentlewoman from Connecticut [Mrs. JOHNSON] is recognized for 5 minutes.

Mrs. JOHNSON of Connecticut. Mr. Speaker, today I am reintroducing legislation with Representative BILL CLINGER of Pennsylvania to provide a new approach to job skills training that will keep American men and women working in good jobs and provide them with greater career opportunities throughout their life.

Our pioneering legislation, which was introduced first in the 98th and again in the 99th Congress, seeks to achieve effective job training by: First, permitting businesses to receive a 20-percent tax credit for increasing their investment in human resources to provide stronger worker training programs; and second, allowing people with individual retirement accounts [IRA's] who want to improve their job skills to withdraw funds without penalty or taxation to help pay for employment training.

The 20 percent tax credit, which would apply for additional training expenses over a company's 5-year historical average training costs, would stimulate effective on-the-job private sector training in businesses of every size.

Current law enshrines a gross mismatch in providing over $50 billion in tax relief incentives for investment in plant and equipment and research and development while offering a meager $25 million for investment in human resources, an area where we believe we will either make or break our Nation's productivity and competiveness.

That, my colleagues, is a ratio of 2,000 to 1. I repeat, current law suggests that new buildings and machines and products and processes are 2,000 times more important than improving the skills and productivity of our workers.

The advantage of enacting the job training tax credit now is that it would require neither large Federal outlays nor a complex government delivery system.

Assistance in the form of lower taxes would be particularly advantageous to small businesses which provide 80 percent of jobs in America and are the powerful pistons of prosperity in my home state of Connecticut.

The tax-free IRA withdrawal opportunity, which would be available at dollar levels of up to $5,000 over 5 years, draws on an already established network of retirement financing currently invested in by over 15 million working households.

The key is to provide the ability to invest in one's future, to improve one's position; it is this opportunity to better oneself and one's family that is at the very heart of the Great American Dream.

Our legislation, the National Training Incentives Act, would help American families fulfill that Dream, families who have seen their hopes dashed and spirit extinguished by forces beyond their control: the impersonal forces of structural economic change, industrial modernization, rapidly changing markets, destabilizing flows of financial capital, regional competition, foreign competition.

Our legislation is intended to complement rather than replace current Government-funded retraining programs such as those under the Job Training Partnership Act [JTPA], which I support.

Through Government incentives provided by tax relief, our measure places training responsibilities in the hands of those who provide the jobs and need an educated, highly skilled workforce and provides training opportunities for those who want to work and move ahead in life.

With the tragic economic dislocation we all have seen in the industrial sector and the urgent need for business, workers, and Government to better manage these changes when they must occur, our legislation is the right approach toward ensuring a comprehensive, coordinated, and cooperative job training effort, and continued prosperity for American families.

Mr. Speaker, I am submitting the bill for the RECORD at this point, followed by a section-by-section analysis and a brief discussion of the key issues raised by our legislation.

DIGEST OF DRAFT LEGISLATION TO BE PROPOSED BY REPRESENTATIVE WILLIAM F. CLINGER, JR., OF PENNSYLVANIA, TO PROVIDE INCENTIVES FOR WORKER TRAINING THROUGH BOTH EMPLOYER AND INDIVIDUAL INITIATIVE AND TO REQUIRE THE SECRETARY OF LABOR TO STUDY THE FEASIBILITY AND COST OF A NATIONAL JOB BANK

National Training Incentives Act of 1987—Declares that it is the policy and responsibility of the Federal Government to encourage cooperation between employers and em-

THE WHITE HOUSE
WASHINGTON

Mosbacher → prior to lunch
[redacted] Brady → morning (?)
Dole (?) → head table w/Bush

Previous Day Reply

Alexander
(Sandy) Trowbridge

Richard Hackert
(Dick)

Info.

THE WHITE HOUSE
WASHINGTON

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Special Issue January 30, 1989

Briefing

Industry's Agenda

101st Congress

Dear NAM Member:

Last November, our nation elected its 41st president. The 101st Congress convened earlier this month. Confirmation proceedings for the president's cabinet nominees are under way. Washington's policymakers are set to begin work on the difficult issues that await them. Many of the decisions they reach—or fail to reach—will affect industry for the rest of the century and beyond.

This special issue of *Briefing* highlights NAM's policy agenda for the 101st Congress. Our top priorities range from rising health care costs to proposed clean air legislation, from the federal budget deficit to education. Although diverse, NAM's policy recommendations share a common denominator—the premise that a robust manufacturing sector is essential to the well-being of our society. Sound, pro-competitive government policies help create an environment in which industry is able to make its maximum contribution.

NAM is committed to working with the administration, Congress and other interested parties to forge pro-competitive, long term solutions to the nation's problems. When a key floor vote or committee markup is imminent, NAM will call on you to communicate your views to your elected officials. Lawmakers do listen to their constituents. Timely grassroots lobbying efforts can make the difference.

The new year presents both serious challenges and opportunities. The National Association of Manufacturers is dedicated to working with policymakers to maximize those opportunities. As your chairman, I welcome any comments and suggestions that you might have.

Sincerely,



Richard E. Heckert
NAM Chairman

Promoting Industry's Competitiveness

Employee Benefits

Health Costs

The cost of health care in the U.S. has reached crisis proportions. Health care expenditures have quadrupled in the last 15 years. Employers now spend $150 billion per year on health care. Yet, many NAM member companies continue to experience annual health care cost increases of 15-30 percent and more.

Lawmakers are also alarmed by the cost of health care—and by the number of uninsured, estimated at 30 to 37 million. Pressure for change is building. And some of the proposed solutions, such as Sen. Edward Kennedy's (D-MA) widely publicized mandated health benefits proposal, would drive up labor costs and diminish U.S. competitiveness without addressing many of the root causes of health care inflation. NAM strongly opposes the proposal.

NAM believes that Congress needs to take a close look at the entire health care system—including the relationship between technology, quality and costs; an overbuilt hospital industry; a costly malpractice system; and an inefficient payment system that invites cost explosion. The association will continue to sponsor educational forums, testify before Congress and help explore new ideas to ensure that the solutions reached are as cost-effective and pro-competitive as possible.

Pension Issues

Although the 100th Congress technical tax corrections law addressed pension asset reversions, the 101st Congress is expected to revisit that topic and a host of other pension-related issues.

Last year, NAM worked to prevent enactment of a proposal to increase the pension reversion excise tax from 10 to 60 percent. The final compromise raised the excise tax to 15 percent. NAM will continue to oppose all increases in the reversion excise tax because if access to surplus funds is restricted, employers will be more likely to fund plans at lower levels, threatening the retirement security of millions of workers.

NAM will also support flexible pension portability proposals that would allow an employee to transfer pension savings when changing jobs. Such proposals would better meet the needs of an increasingly mobile work force. NAM will also monitor legislation regarding the use of surplus pension funds to finance retiree health benefits, the impact of leveraged buyouts on pension plans and the taxation of employer-provided benefits.

Long Term Care

Long term health care emerged as a priority issue in the last Congress and is certain to command considerable attention in the 101st Congress.

NAM believes long term care is an important issue with major cost and employment implications for companies and workers. But broad federal entitlements aren't the answer. The House last year derailed on a procedural vote of 243-169 a four-year, $64 billion long term care entitlement proposal sponsored by Rep. Claude Pepper (D-FL-18). The legislation would have raised $29.5 billion by lifting the $45,000 cap on the 1.45 percent Medicare payroll tax—leaving a $34 billion budget shortfall. NAM worked as part of a coalition that was instrumental in blocking the measure.

NAM offers alternative recommendations that include encouraging the insurance industry to develop innovative long term coverage, educating active workers and urging them to plan for

Keeping the Export Boom Alive

Exports accounted for 30 percent of U.S. economic expansion in 1987 and almost 40 percent in 1988. The increase in manufactured exports created 800,000 new jobs last year. To promote continued U.S. economic growth, NAM is urging the Bush administration to launch a major export promotion drive to capture new markets abroad.

Key tenets of the export promotion program NAM envisions include: strengthening the Eximbank; beefing up U.S. export promotion programs; protecting U.S. commercial interests overseas; dropping proposed Treasury Department changes in the taxation of export income; developing an aggressive mixed credit program; and continuing to improve the U.S. export control system. NAM believes future U.S. competitiveness depends upon the designation of international trade as a high-priority item on the national agenda.

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their long term health needs, and permitting individuals to make tax-favored transfers from life insurance contracts and IRAs to purchase long term care insurance.

Risk Management

Product Liability

The current product liability system—based on a patchwork of state laws—pays an estimated $4.8 million in legal and transaction costs for every $1.9 million paid to claimants. Fear of debilitating lawsuits often prevents new products from reaching the marketplace.

NAM and its members are poised to build on the progress made last year, when the House Energy and Commerce Committee approved 30-12 a landmark reform bill—H.R. 1115—thus becoming the first House panel ever to approve federal product liability legislation. NAM will launch a broad-based, two-house reform drive this year.

A uniform federal product liability standard is urgently needed. To assure that lawmakers get the message, NAM is sponsoring a Product Liability Fly-in on 3/21-22, to flood Capitol Hill with manufacturers calling for reform. NAM member action could make the difference between the status quo and a viable product liability law.

Health Risk Notification

The new Congress may consider legislation to establish a worker health risk notification program in the Department of Health and Human Services. NAM led the successful fight against 100th Congress health risk notification legislation that would have saddled employers with millions of dollars in unwarranted liability and led to government-mandated health benefits and employee transfers. The 100th Congress bill passed the House by a 225-186 vote, but stalled in the Senate after backers failed on four occasions to invoke cloture and force a vote on the bill.

Occupational disease notification legislation isn't necessary because the Occupational Safety and Health Administration (OSHA) already administers a program which requires employers to label hazardous materials, educate and train workers, and post material safety data sheets. OSHA strengthened worker protection 1/13/89 when it issued new exposure limits for hundreds of toxic and hazardous substances.

A 101st Congress risk notification proposal could come as part of a broader package of "OSHA reform" proposals. Such a package could include provisions dealing with workplace inspections, mandatory rights for workers to participate on workplace safety committees, and worker inspection and enforcement power. NAM will again work to ensure that policymakers protect the safety and health of employees in a cost-effective and pro-competitive manner.

Small Manufacturers Lead the Way

Small manufacturers continue to lead the way to innovation, increased productivity and economic expansion. Uniquely able to take advantage of emerging, cost-cutting technologies and improved management techniques, small companies originate 55 percent of the nation's innovations. Small manufacturers also keep America working. Manufacturing employment rose a net 1.3 million positions between 1976 and 1986, with small manufacturers achieving a gain of 1.4 million jobs, according to the Small Business Administration. In total, small business accounts for 39 percent of total GNP.

NAM is committed to advancing the interests of small manufacturers. A recent survey of NAM small company members—which account for 80 percent of the association's membership—targeted three key issues of concern in the 101st Congress: mandated benefits, deficit reduction and tax increases. NAM also helps small manufacturers assert their clout on Capitol Hill. The association's Small Manufacturers Forum will hold its third annual "Washington Legislative Conference" on 3/21-22, during which small business executives will meet individually and in small groups with members of Congress and Bush administration officials. The Forum will also sponsor informational conferences during the course of the year.

Budget

Deficit Reduction

The Gramm-Rudman-Hollings (GRH) Act requires Congress to reduce the budget deficit from an estimated $160 billion in FY 1989 to $100 billion in FY 1990. Because high deficits drain the nation of capital necessary for investment and expansion, NAM supports GRH and other initiatives to significantly reduce deficit spending.

NAM believes the budget deficit should be cut by restraining the growth of spending—not by increasing taxes. Federal spending rose by 90 percent in the 1980's, nearly double what would have been necessary to keep up with inflation. If Congress and the president fail to reach a deficit-reduction compromise, then NAM would support a one-year spending freeze estimated to reduce the deficit by $20.1 billion.

NAM also supports the goals of the National Economic Commission (NEC)—the bipartisan budget panel established by Congress in 1987 budget legislation. The NEC is charged with formulating a deficit-cutting strategy that promotes capital formation and spreads the deficit reduction burden equitably among all sectors of the economy. The Commission is expected to issue its recommendations by 3/1/89.

Budget Process Reforms

A permanent solution to the nation's budget deficit/spending crisis will require not only short-term fiscal discipline, but also long-term reforms in the budget process itself. NAM urges the adoption of several specific budget process reforms to enforce fiscal responsibility and restrain excessive government spending.

Specifically, NAM favors extending the Gramm-Rudman-Hollings (GRH) deficit-reduction law—now scheduled to expire in 1993—to preserve the law's automatic funding cut (sequestration) and spending limit provisions. NAM also

supports extending GRH to cover all federal spending programs, except for interest payments on the debt and means-tested programs for the poor. Currently, only about 21 percent of the federal budget is subject to GRH.

The association will also press for additional reforms, including a balanced budget amendment to the Constitution, the line-item veto, enhanced presidential authority to rescind spending, and a biennial budget.

Environment

Clean Air

NAM will work in the 101st Congress to assure that industry is not hamstrung by an unnecessary overhaul of the Clean Air Act. Industry already spends more than $33 billion annually for air pollution controls. Legislation to rewrite the Clean Air Act in the last Congress—S. 1894, sponsored by current Majority Leader George Mitchell (D-ME)—would have nearly doubled that burden. The bill's stringent acid rain controls would have caused significant declines in manufacturing profits, a cumulative drop of at least $223 billion in U.S. GNP and a loss of over 860,000 jobs, according to a landmark NAM study.

In environmental terms, a major rewrite of the Clean Air Act simply isn't warranted. An interim National Acid Precipitation Assessment Program (NAPAP) report indicated that few lakes have been adversely affected by acid rain and that sulfur dioxide and nitrogen oxide emissions will continue to decline over the next decade without federal controls. A final NAPAP report is due in September, 1990.

Lawmakers may also address ozone nonattainment as part of a broad clean air bill. EPA data reveals that most of the 72 ozone nonattainment areas comply with the federal standard 99 percent of the time. NAM continues to support the health-based air quality standards established by the Clean Air Act, but opposes the imposition of punitive sanctions against areas that have made progress toward attainment. The association would favor a moderate strengthening of the law's ozone and carbon monoxide controls. However, the EPA should also work to establish a more reliable system of measuring noncompliance.

RCRA/Waste Minimization

Legislation to reauthorize the Resource Conservation and Recovery Act (RCRA) will seek to change America's solid and hazardous waste disposal habits. Debate resumes where it left off in the 100th Congress, where an unsuccessful RCRA renewal proposal sought to establish a national waste management hierarchy.

NAM believes that waste minimization proposals, whether freestanding or included in RCRA reauthorization, should emphasize voluntary market-oriented incentives—rather than mandatory percentage reductions. Any reporting requirements should minimize paperwork burdens, which often do little to improve public and environmental safety. Industry has already instituted voluntary initiatives that minimize volume, reduce toxicity, and reuse and reclaim solid and hazardous wastes.

NAM supports a RCRA reauthorization package that improves solid waste management and recognizes previous and future voluntary waste minimization efforts by innovative firms.

Competitiveness Through Education and Training

Industry has a vital interest in improving the quality of education of the nation's young and upgrading the skills of America's work force. Though many companies have established education programs to prepare current and prospective employees for the increased technological demands of an ever-changing workplace, further efforts are required to enhance American competitiveness.

NAM will work with the 101st Congress and the new Bush administration to formulate effective policies concerning vocational education, training/retraining and tuition assistance. Through its membership and in cooperation with all interested parties, the association will work on initiatives at the local level to encourage private-public partnerships as a means of improving public education.

Taxation

Expiring Tax Provisions

Despite the last-minute passage of tax technical corrections legislation at the close of the 100th Congress, several tax incentives critical to manufacturing growth and technological advancement are scheduled to expire, or have already lapsed, and must be reinstated or extended in the 101st Congress.

Internal Revenue Code Section 127—allowing workers to exclude from taxable income the tuition assistance they receive from employers—expired at the close of 1988. Reinstatement of Section 127 will help U.S. manufacturers maintain a more qualified and competitive work force.

Legislative action is also necessary to preserve the 20 percent R&D tax credit, now scheduled to expire at the close of this year. In extending the R&D tax credit, last year's technical corrections law included an NAM-opposed provision requiring corporate taxpayers to reduce the amount they deduct for R&D expenditures by 50 percent of the research credits they receive. NAM will work to exclude this short-sighted provision from future extensions of the R&D credit.

NAM also supports improving the Section 861 allocation of R&D expenditures to foreign and domestic income. Section 861 dictates that U.S. multinational firms conducting R&D activities in the United States allocate a percentage of their R&D spending to foreign-source income when calculating foreign tax credits. This provision effectively decreases foreign-source income, thereby reducing allowable foreign tax credits and increasing overall tax liability. The 1988 technical corrections law provides only a temporary remedy. It allows U.S. firms to allocate 64 percent of their U.S. R&D spending to U.S.-source income and 64 percent of foreign research expenditures to foreign-source income. The 64 percent allocation provision, however, is effective only for the first four months of the taxpayer's first taxable year after 8/1/87. NAM will seek a permanent solution to the R&D expense

allocation issue, as well as other tax incentives important to manufacturers.

Alternative Minimum Tax

The 101st Congress may consider an increase in the rate of the corporate alternative minimum tax (AMT)—a mechanism to ensure that all corporations showing economic income pay at least some federal income tax—as part of a deficit reduction package. A 100th Congress proposal to increase the AMT rate was dropped in the 1987 budget "summit" agreement. NAM is poised to fight attempts to increase the AMT rate in the 101st Congress.

On an offensive front, the association is seeking improvements in the switch scheduled for 1/1/90 to the Adjusted Current Earnings (ACE) preference within the AMT. The ACE preference, as currently drafted, would decrease the value of depreciation deductions and complicate accounting procedures necessary for corporate compliance. NAM has already organized a coalition to reform ACE, or at the very least, to improve the treatment of depreciation under ACE so as not to impair critical capital formation.

Capital Gains

The Bush administration will soon offer a proposal to reduce the tax on capital gains—income derived from asset sales. Reps. John Rhodes (R-AZ-1) and Phil Crane (R-IL-12) have already offered capital gains tax cut proposals. And the Treasury Department has also explored various capital gains tax options, including a sliding scale mechanism that would tax long-term investment gains at a lower rate than short-term gains. NAM strongly supports cutting the capital gains tax, which would encourage investment and economic expansion and help put the U.S. on equal footing with competing nations, many of which have a nominal capital gains tax or none at all.

Corporate Governance

Hostile Takeovers/LBOs

The recent surge of leveraged buyouts (LBOs)—takeovers financed with huge amounts of debt—has elicited new concerns from Congress, the Treasury Department and the president. Senate committee hearings are already under way. Lawmakers are worried that takeover abuses and LBOs are threatening long-term business planning, research and development initiatives and international competitiveness.

In the last Congress, an NAM-backed takeover reform bill was pulled from the Senate floor after several attempts were made to amend the bill with "pro-raider" provisions curtailing corporate defense mechanisms and stripping states of corporate governance rights. This year's proposals are expected to focus on a variety of new factors. NAM is working with allied organizations and congressional committees to help formulate takeover reform proposals that do not impede free market forces, but that allow manufacturers to pursue long-term competitive strategies free from the looming threat of the most abusive takeover tactics.

Dealer Terminations

If manufacturers are to remain competitive, it is critical that they retain their ability to control distribution and servicing of their products. Antitrust legislation introduced in the last Congress, S. 430, was designed to strip manufacturers of this right by making it easier for dealers to sue firms in the wake of a termination. NAM led a coalition that was instrumental in blocking passage of S. 430 last year and will play a similar role in the 101st Congress.

Antitrust Law

The Bush administration is expected to propose antitrust reforms to increase, protect and encourage marketplace competition. Current antitrust laws discourage American firms from engaging in joint manufacturing or research ventures that could result in the profitable development of new products and technologies. NAM strongly supports the concept of antitrust reform and hopes to work with the administration for changes that improve the competitive position of U.S. manufacturers. The association is awaiting the administration proposals.

RICO Reform

The Racketeer Influenced and Corrupt Organizations Act (RICO) is being abused in lawsuits targeting manufacturers and extorting expensive triple damages. Industry and labor organizations joined together last year in a push for legislation to effectively eliminate the triple damages automatically awarded in most successful RICO suits. Although last year's bill did not become law, NAM will again lead a business and labor coalition drive for RICO reform legislation in the 101st Congress.

Trucking Deregulation

The Motor Carrier Act of 1980 made significant strides toward deregulating the trucking industry. Because American industry relies heavily on truck transportation, manufacturers would reap tremendous benefits from total deregulation. During the 101st Congress, an NAM-led coalition will resume its drive for comprehensive trucking deregulation legislation.

How to Contact Congress

• (202) 224-3121 •
(Congressional Switchboard)

The mailing address for senators is U.S. Senate, Washington, D.C. 20510. The address for mail to representatives is U.S. House of Representatives, Washington, D.C. 20515.

Legislative Alerts. It's often said that all of politics is local. Your voice carries weight with your elected officials. When important action on key legislation is imminent and industry communication with lawmakers can make a difference, NAM asks its members to contact their representatives or senators. The red Legislative Alert arrow in *Briefing* is your signal that contacts are urgently needed.

NAMNET. The 101st Congress is certain to address an array of issues affecting your company, regardless of size or industry. The best way to keep tabs on Congress is via NAMNET, NAM's electronic legislative information system. Put NAMNET to work as your own electronic legislative assistant! Call (202) 637-3082 for information.

International Trade

Trade and Competitiveness

The enactment of omnibus trade legislation and approval of the U.S.-Canada Free Trade Agreement last year were important steps toward improved international competitiveness. Much of this year's activity builds on last year's achievements. The trade act, which affects virtually every aspect of the nation's trade laws, will be implemented this year. And a new Canada-U.S. Trade Commission will supervise implementation of the bilateral accord.

Negotiations are under way to improve the multilateral trading system—better known as the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Meanwhile, the European Community's ongoing drive to eliminate remaining market barriers by 1992 could create major opportunities—or roadblocks—for American companies. NAM will continue to advise member companies of important developments on the trade front as they occur, and argue industry's case to U.S. agencies and negotiators whenever necessary.

Foreign Investment

Foreign direct investment, like domestic investment, creates American manufacturing jobs, spurs economic growth and increases the competitiveness of U.S. industry. Nevertheless, Rep. John Bryant (D-TX-5) has reintroduced legislation, H.R. 5, to require foreign investors in U.S. businesses and real estate to file detailed disclosures with the Department of Commerce. Penalties for noncompliance would include forfeiture of a foreign company's U.S. assets. A similar "Bryant bill" passed the House on a 250-170 vote last October.

NAM opposes mandatory foreign investment reporting rules on grounds that they are both discriminatory and unnecessary. The Commerce Department already collects extensive foreign investment data, which is published in aggregate form. Furthermore, the U.S. continually monitors foreign investment activity for its impact on national security. Under the omnibus trade law enacted last year, the president can now terminate foreign acquisitions, mergers or takeovers of U.S. companies when national interests are threatened.

South Africa Sanctions

The drive to establish further restrictions on U.S. business ties to South Africa is already in motion. Rep. Ron Dellums (D-CA-8) has reintroduced a sweeping sanctions bill, H.R. 21, that is similar to legislation which passed the House last year. H.R. 21 would block the flow of virtually all trade and investment between the U.S. and South Africa. U.S. companies would be required to pull their investments from that country within a year.

NAM supports the abolition of apartheid in South Africa, but opposes additional sanctions. U.S. companies have promoted development of South African labor unions, encouraged nondiscrimination in the workplace, and spent hundreds of millions of dollars to support South African education, health care, housing and social development. Sanctions legislation would eliminate U.S. business as an important force in the fight against apartheid.

Labor Relations

Parental Leave

One of the first major legislative battles of the 101st Congress is likely to involve parental leave. Last year, a proposal designating job-guaranteed parental and employee medical leave as a minimum labor standard advanced to the Senate floor. It was debated for two weeks as part of a so-called "pro-family" package that also included a child care entitlement bill. Supporters hope that last year's debate may have paved the way for enactment of a parental leave bill in this Congress.

NAM cochairs a coalition of employer groups that opposes parental leave legislation because of the reduced flexibility, increased costs, and decreased productivity it would impose on employers, particularly small companies. The legislation is also unnecessary. Almost all working women today already have some form of job-guaranteed maternity leave. An estimated 95 percent of larger firms have disability plans that provide paid, job-guaranteed leave for maternity. Corporate child care assistance programs are also growing at an astronomical pace. NAM members should communicate their opposition to parental leave legislation in letters and meetings with legislators.

The 101st Congress

Senate

55 Democrats
45 Republicans

House

259 Democrats
174 Republicans
2 vacancies

NAM will soon publish its 101st Congress Directory, featuring lawmakers' addresses and phone numbers, committee rosters and phone numbers, a list of cabinet departments and more. Watch for ordering information in upcoming issues of *Briefing!*

Child Care

President George Bush is expected to propose a toddler tax credit program to help low-income families afford child care and to expand the range of day care options available to parents. Allies of the Alliance for Better Child Care (ABC), on the other hand, want broader legislation to subsidize child care costs for lower and middle-income families that utilize "professional" day care services. They would also regulate child care providers. The issue is of concern to employers—60,000 of which already provide day care assistance, according to a 1987 Bureau of Labor Statistics study.

NAM will work with policymakers to ensure that child care legislation does not result in employer mandates, impose unnecessary government regulations or create a new federal bureaucracy.

Compulsory Unionism

The AFL-CIO is once again expected to push for legislation to ban dual shop operations in the construction industry. Dual shop operations constitute a well-established practice whereby a company owns independent, separately managed union and open-shop subsidi-

aries. Consequences of enactment would include higher construction costs for industry, a vast expansion of permissible picketing, loss of employee freedom of choice regarding union representation, and the establishment of a dangerous precedent that could be extended to other industries.

Industry has made substantial strides in demonstrating that dual shop legislation isn't necessary. It is already illegal to establish "sham" non-union subsidiaries for the purpose of evading collective bargaining obligations. And National Labor Relations Board statistics show that less than one-tenth of 1 percent of unfair labor practice charges even allege a double-breasting abuse.

Anti-dual shop legislation passed the House in the last Congress, but by a far smaller margin than in 1986. The legislation failed to reach the Senate floor, due largely to the efforts of an active coalition cochaired by NAM and strong grassroots communication from industry to lawmakers. NAM will continue to combat dual shop legislation in the year ahead.

Minimum Wage

The 101st Congress will consider H.R. 2, legislation to increase the minimum wage from $3.35 to $4.65 per hour by 1992. While strongly supported by the AFL-CIO, a large minimum wage hike would hurt many of the workers it is intended to help. The Congressional Budget Office estimates that raising the wage to $4.65 could cost 500,000 jobs. A hike would also hurt company productivity by driving up labor costs—to the tune of $48 billion, according to a University of Chicago study. And increased production costs would lead to higher product and service pricetags for consumers. NAM opposes a large minimum wage increase and instead supports creation of a youth training wage to help entry-level job seekers gain the skills and experience they need in today's work force.

Comparable Worth

Bad ideas are often advanced in Washington under the guise of worthy goals. Rep. Mary Rose Oakar (D-OH-20) has again introduced legislation—H.R. 41—ostensibly aimed at pay equity and the elimination of discrimination in federal pay practices. But the bill's proposed solution is a comparable worth study, which would empower a federal consultant to arbitrarily determine the wages of government workers.

Enactment would increase pressure for expansion to the private sector. The ultimate result could be the largest expansion of economic regulation in U.S. history—at a cost of over 2.8 million jobs, according to the National Bureau for Economic Research. A bill similar to H.R. 41 passed the House by a 302-98 vote last year, before dying in the Senate. NAM will continue to oppose comparable worth as a fundamentally unsound means of determining wages.

Labor Law Reform

During the 101st Congress, congressional allies of organized labor may propose amending the National Labor Relations Act to pursue a variety of union priorities. One idea that was the subject of a hearing in the last Congress is a proposal to radically change a well-established precedent in the resolution of labor disputes that permits an employer to hire permanent replacements during an economic strike. NAM will oppose this and other so-called labor law reforms that would set unwarranted precedents and impede needed management flexibility.

Overseas Relocations

During the last Congress, Sen. Howard Metzenbaum (D-OH) introduced legislation requiring employers of 50 or more workers to provide the Department of Labor with 120 days advance notice before relocating operations from the U.S. to overseas; the department would publish semi-annual lists of such companies. Under the bill, these companies would be ineligible for federal grants or loans for five years. Failure to comply with the notice requirement could lead to sanctions of $10,000 per day of violation. Similar legislation is likely in the 101st Congress. NAM will work to ensure such legislation is not enacted into law.

Energy and Resources

Alaska Energy

U.S. oil production hit the lowest level in 24 years in 1988, according to figures released by the American Petroleum Institute on 1/18. Oil imports increased by 9 percent last year, totaling 42 percent of domestic consumption. And in December, the U.S. imported more oil than it produced for the first time in nine years.

Despite a crucial need for increased domestic petroleum development legislation to open a small portion of Alaska's Arctic National Wildlife Refuge (ANWR) to energy leasing stalled in the 100th Congress.

One ANWR proposal did clear a House Committee last May. However, the panel added an organized labor-backed Manton (D-NY-10) amendment to require union wages for construction and maintenance work associated with ANWR development. NAM and a broad industry coalition strongly opposed this requirement. The association will work for approval of environmentally safe ANWR energy development legislation—without union wage language—in 1989.

Nuclear Power

Many experts foresee the possibility of electricity shortages in the decade ahead. NAM supports a revitalization of the commercial nuclear power industry—the source of 18 percent of the nation's total electric power load. In the last Congress, lawmakers passed a NAM-supported 15-year renewal of the Price-Anderson nuclear liability law. This year, NAM will pursue legislative and regulatory actions to reform plant design and licensing procedures. Such measures would enhance safety, while cutting electricity costs for consumers by reducing licensing delays and cost overruns.

Offshore Oil

As much as one-half of America's untapped oil and gas reserves lie beneath the oceans' outer continental shelf (OCS). An estimated four billion barrels of recoverable oil and 11 trillion cubic feet of recoverable natural gas remain undeveloped off the Pacific Coast alone. Nonetheless, a handful of coastal state lawmakers have blocked federal lease sales of the richest OCS acres via riders to the Interior Department's appropriations bills. Five DOI appropriations have included OCS leasing moratoria since 1982. NAM strongly opposes leasing bans and supports environmentally safe OCS leasing.

Technology and Industry's Future

NAM's Council on High Technology will address a wide range of issues in 1989 including research and development incentives, the regulation of emerging technologies and intellectual property rights. The association established the Council to alert member companies to significant legislative, regulatory and private sector developments pertaining to industry that impact manufacturers. Membership on the Council's task forces—open to all NAM members—includes a subscription to *High Tech Progress*, a monthly newsletter addressing technological issues and trends.

One of the Council's chief concerns in 1989 will be the issue of industrial design protection. Industrial designs are original and distinctive designs embodied in a utilitarian article. Examples are auto body configurations, eyeglasses and telephones.

Industrial designs are covered by U.S. patent law, which allows legal protection only if a design can meet the tests of "useful," "new" and "unobvious." But many designs cannot pass the unobvious test and lose out on protection.

Other industrialized countries provide designs with easier to obtain copyright-like protection. As a result, U.S. designers obtained a mere 3,428 design patents in one recent year, while Germany protected over 61,000 designs and Japan over 33,000.

Stronger industrial design safeguards would give industry the ability to reap more fairly the rewards of America's manufacturing and innovative genius.

Public Affairs

Campaign Finance Reform

More than 98 percent of House incumbents seeking reelection were returned to Congress last November. The advantages of incumbency make it very difficult if not impossible for most challengers to displace members. As Congress studies campaign finance reform options including the role of political action committees (PACs), NAM will push for reforms that level the playing field between incumbents and challengers.

In the last Congress, NAM was instrumental in blocking legislation which called for taxpayer financing of congressional campaigns. NAM will oppose similar plans in the 101st Congress.

PAC patterns of supporting incumbents over challengers have also inspired proposals to limit PAC contributions. NAM traditionally has opposed further PAC contribution limits, which would reduce the ability of corporate employees to support candidates of their choice. The association is now studying non-binding PAC guidelines that would encourage PACs to avoid questionable practices such as donating to two candidates running for the same seat.

Regulatory Reform

Paperwork Reduction Act

The Paperwork Reduction Act of 1980 created an executive branch mechanism for paring down reams of duplicative and unnecessary government paperwork. The act established the Office of Information and Regulatory Affairs within the Office of Management and Budget (OMB) to officiate over federal regulations requiring various types of recordkeeping and form processing. Some consumer groups have targeted the act—due to be reauthorized this year—charging that OMB interferes with the implementation of legitimate regulations. NAM is highly supportive of the reauthorization to protect industry from new, costly and time consuming federal red tape. The association is ready to work with the administration and allied organizations to ensure the reauthorization of this important act.

For more information about the issues covered in *Briefing*, contact the NAM Legislative Analysis Department, (202) 637-3187. Each week's *Briefing* is available prior to publication by 3:00 p.m. (ET) the previous Friday on NAMNET — NAM's public policy electronic network.

NAM Congress of American Industry

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NATIONAL ASSOCIATION
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Summary of 1989 Priorities

Policy and Communications Division
February 1989

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GOVERNMENT REGULATION, COMPETITION AND SMALL MANUFACTURING DEPARTMENT

ISSUE: Antitrust Reform

LEGISLATION: To improve U.S. international competitiveness, the Departments of Justice and Commerce have recommended increasing the ability of companies to pool their resources and talents in R&D and production joint ventures, especially those areas facing foreign government-sponsored and supported activities, i.e., computer chips, high definition television, etc. Two possible methods of encouraging such joint ventures would be to provide a certificate of exemption to a venture and the other by reducing antitrust damages for a venture that had notified the government of its activities. The former approach seems the best method, but would face possible delays in obtaining certification, while the latter provides speed but with the uncertainty of a potential lawsuit, albeit at single rather than treble damages.

It has been rumored that the new administration will send the Congress a comprehensive reform package (as did the prior Administration) calling for reform of Sec. 7 of the Clayton Act, redefining that section so that there must be a "significant probability" that a merger will be harmful before it would be prohibited. Another area would reduce treble damages in most private suits to single damages (except in price-fixing cases) but provide for federal treble damages recovery. A claim reduction provision will also be included to reduce the "whip saw" tactics of early antitrust settlements. Provisions dealing with interlocking directors have also been discussed.

EMPLOYMENT/COST IMPACT: Antitrust reform of this magnitude could lead to an appreciable reduction in the cost of doing business and would have a beneficial impact upon our competitiveness.

STATUS: The Bush administration will make this one of their early efforts. Congress appears to be especially interested in the R&D and production joint venture proposal. The interlocking director proposal has also drawn support.

NAM POSITION: NAM would support the effort to increase greater cooperation in joint ventures and in fact has done so in supporting laws on the books that provide limited protection, i.e., the Export Trading Company Act of 1982 and the National Cooperative Research Act of 1984. NAM has in the past also supported the other antitrust reform proposals, except granting treble damages to the government.

NAM ACTIONS: We will actively support the administration effort to reform the antitrust laws by testifying, working with members and their staffs and forming a coalition to generate business support, etc.

NAM Staff Contact: Larry Fineran (202) 637-3051
Rev. 1/19/89

ISSUE: Dealer Termination

LEGISLATION: This proposal would: (1) codify the per se illegality of vertical price-fixing and (2) overturn the Supreme Court's 1984 decision in Monsanto v. Spray-Rite Service Co., which held that in order to prevail in a treble damage claim, a terminated dealer must show more evidence of a conspiracy than complaints about its pricing to a manufacturer.

EMPLOYMENT/COST IMPACT: This legislation would make it harder for manufacturers to enforce quality standards, since prices reflect money spent on activities such as adherence to product safety, health requirements and customer education. Also, overriding the Monsanto decision would increase unnecessary litigation by allowing unwarranted cases to go to trial.

STATUS: It is expected that a version of last year's bill (S.430) will be introduced in both Houses early in this session.

NAM POSITION: NAM supports a manufacturer's right to terminate a dealer for reasons not directly related to pricing practices and opposes those portions of this legislation relating to the Monsanto decision. NAM does not, however, have a policy position on the per se illegality of vertical price-fixing.

NAM ACTIONS: NAM will again play the lead role in a large coalition to oppose the passage of this proposal. Hill visits, testimony, and grassroots lobbying will be an integral part of this effort to prevent a bill from being reported out of committee.

NAM Staff Contact: Larry Fineran (202) 637-3051
Rev. 1/19/89

GOVERNMENT REGULATION, COMPETITION AND SMALL MANUFACTURING DEPARTMENT

ISSUE: Regulatory Reform Issues (RICO; Trucking Deregulation)

LEGISLATION: During 1989 the RICO reform effort will receive renewed attention because of the abuses arising from the indiscriminate civil suits being filed. Rep. Rick Boucher (D-9-VA) and Sen. Orrin Hatch (R-UT) will be the principal supporters. Also, the Office of Information and Regulatory Affairs (OIRA), charged with implementing the Paperwork Reduction Act, needs reauthorization and attempts will be made to weaken it. Legislation to complete trucking deregulation will also be considered. Regulatory reform is still alive and kicking in 1989.

EMPLOYMENT/COST IMPACT: Passage of civil RICO reform will greatly reduce the litigation cost of many companies, thus freeing up these assets for more constructive purposes. The cost of complying with the remaining remnants of trucking regulation still runs into hundreds of millions of dollars that could be more wisely spent. Controlling paperwork is another budget reduction issue for business.

STATUS: Senator Hatch and Representative Boucher will be introducing identical RICO reform bills in mid-February. Senator Packwood (R-OR) is actively seeking cosponsors for his trucking deregulation bill. The OIRA reauthorization will not be seen until late in the first session.

NAM ACTIONS: During the 101st Congress NAM will support the efforts to reform RICO, to complete trucking deregulation and to reauthorize OIRA. Particular effort will be made on RICO reform where NAM will lead a multi-association and company coalition effort.

NAM Staff Contacts: Larry Fineran (202) 637-3051 and
John Pilcher (202) 637-3048

Rev. 1/27/89

GOVERNMENT REGULATION, COMPETITION AND SMALL MANUFACTURING DEPARTMENT

ISSUE: Takeovers and Leveraged Buyouts (LBOs)

LEGISLATION: 1988 was a banner year for the introduction of legislation to deal with perceived abuses in the area of takeovers and "leveraged buyouts." In the past hostile takeovers have generated considerable interest and debate in the business community and in the Congress. Recently, the accelerated number of LBOs has generated a similar burst of interest. Questions about fairness of the prices paid and the vulnerability of highly-leveraged companies to a recession have increased. Suggestions that our tax laws favor takeovers and LBOs by encouraging debt and penalizing equity have initiated calls for changing such laws. The use of pension fund dollars and bank loans to finance these deals has also called into question the stability of our retirement and financial systems. All of these factors have again elevated this issue to a high-visibility position for 1989.

EMPLOYMENT/COST IMPACT: Takeovers have left major companies with burdensome debts and reduced their ability to make capital and R&D investments. Numerous plants and facilities have been closed and many industrial jobs lost.

STATUS: Numerous committees in both Houses have held or scheduled hearings on the issue, i.e., the Banking Committee and Finance Committee in the Senate and the Ways and Means, Banking and Energy and Commerce Committees in the House. The Treasury is reportedly actively considering regulations to reduce the bias currently in the tax code that favors debt over equity. The Federal Reserve and the Comptroller of the Currency are closely watching the banking system to ensure that the commercial banks and the thrifts are not overextending themselves in purchasing "junk bonds."

NAM POSITION: The lack of stability in the financial markets has diverted manufacturer's attention from long-term to short-term goals. This has had the effect of hurting our effort to respond to international competition.

NAM ACTIONS: Lobbying activities on this issue likely will include: (1) Hill visits by NAM members, as well as meetings with Congressional members in their home states and districts; (2) NAM testimony before both the House and Senate; (3) NAM active leadership of coalition activities; and (4) preparation of op-ed pieces and an issue brief.

NAM Staff Contact: John Pilcher (202) 637-3048
Rev. 1/19/89

ISSUE: Education & Training Issues

LEGISLATION: The "technical corrections" bill enacted in the 100th Congress included a one year retroactive extension of the employee educational assistance program (Internal Revenue Code Sec. 127). This extension expired again on December 31, 1988. The omnibus trade bill enacted in August 1988 (P.L. 100-418) included increased funding and a new dislocated worker program (replacing Title III of the Job Training Partnership Act). The statute also provides for demonstration grants to enhance the quality of various facets of public education including the encouragement of educational partnerships with the private sector.

EMPLOYMENT/COST IMPACT: The effects of poor or inadequate education and skills have many dimensions and are difficult to quantify but some measures point to the need for increased attention by the private and public sectors. It has been estimated that productivity losses caused by poorly trained workers cost U.S. businesses about $25 billion a year. One out of four ninth graders drops out of school each year at an estimated cost to the nation of $240 billion in lost earnings during their lifetime. Among dislocated workers, as many as 40% are functionally illiterate and over 20% lack a high school education. A recent article in the Washington Post noted: "One of the saddest social facts in America today is that thousands of good manufacturing jobs go begging for want of applicants functionally literate enough to hold them."

STATUS: No significant legislation has been introduced but it is clear given the fiscal realities of the deficit that tax incentives and federal programs will not be the total answer.

NAM POSITION: Providing the nation's youth with the basic abilities required to enter the workforce and preparing current workers to adapt to increasingly rapid changes in the workplace will require a combination of federal/local and private sector initiatives. It is not simply a matter of increased federal funding.

NAM ACTIONS: NAM has been actively involved in federal job training programs and supportive of enhanced dislocated worker adjustment initiatives but recognizes the importance of private sector involvement. Most recently, NAM has initiated efforts to develop a comprehensive, substantive approach to education and training/retraining programs. A formal task force has been organized and will initiate a carefully targeted effort at the local and national levels, building on programs currently in place.

OUTLOOK: Reauthorization of vocational education legislation and examination of the effectiveness of the Job Partnership Training Act are expected to receive early attention in the 101st Congress. The private sector, based on self interest, will increase its efforts and leverage in private and public initiatives, to ensure its access to a qualified labor pool.

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Rev. 1/23/89

ISSUE: Health Care Access and Cost Control Issues

LEGISLATION: The fact that there are estimated to be 37 million Americans totally uninsured for health care will continue to be a matter of concern. In the last Congress, S.1265 and H.R.2508 would have mandated employer-paid health insurance for employees working at least 17.5 hours weekly and their dependents. Coverage included hospital and physician care, diagnostic services, pre-natal and well-baby care, and both in-patient and out-patient mental health services. Employers would have had to pay at least 80% of premiums, except for low-wage workers, for whom the payment would have been 100%.

EMPLOYMENT/COST IMPACT: A Nathan Associates study assessed the minimum costs of this legislation at $33 to $39 billion annually. The Institute for Research of the Economics of Taxation (IRET) estimates the costs to be approximately $100 billion. Labor cost increases of this magnitude would clearly make U.S.-made products less competitive and lead to significant job losses.

STATUS: Senator Kennedy's (D-MA) staff has begun redrafting the "Minimum Health Benefits for All Workers Act." The proposal to mandate employer-provided health benefits received extensive hearings in 1987-88, and was marked-up by the Senate Labor and Human Resources Committee. No floor action occurred in either chamber in the 100th Congress. Momentum is growing however, to address the problems of the uninsured from Republicans and Democrats alike. Senator Hatch (R-UT), ranking minority member of the Labor and Human Resources Committee, is drafting legislation to improve health care access. NAM is assisting in this process through participation in a specially-convened advisory group.

NAM POSITION: NAM opposes attempts to make employee benefits mandatory and, in the case of health insurance, instead supports private sector solutions, group purchasing of insurance for small firms, tax incentives for the self-employed, improved medicaid coverage and state programs financed by general revenues. In addition, finding ways to control escalating health care costs in general is a major NAM priority.

NAM ACTIONS: NAM is on the steering committee of a broad-based business coalition of over 60 trade associations and individual employers opposed to mandated benefits. To support our lobbying position, the NAM membership is being surveyed on attitudes and alternatives to mandated benefits.

OUTLOOK: Senator Kennedy (D-MA) is expected to introduce a revised mandated health insurance bill in March. The intent of the revisions is to gain business support.

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Rev. 1/23/89

ISSUE: Mandated Benefits (Parental Leave) / Child Care

LEGISLATION: In the 100th Congress, S.2488 and H.R.925 would have required business to provide 10 weeks of job-protected, unpaid leave to employees with a new child, while continuing all health benefits. Longer leaves would be required for an employee's own illness. The Act for Better Child Care, also called the ABC bill, was the focus of the child care debate in 1988. S.1885 and H.R.3660 (companion bills) would have established federal child care regulations and had a $2.5 billion price tag. S.2085 and H.R.4002 embodied a less expensive approach aimed at increasing the supply of child care slots by emphasizing state and local initiatives.

EMPLOYMENT/COST IMPACT: GAO sets the annual cost of mandated leave at $188-$212 million, contrasting with the Nathan Associates' estimate of $600 million annually for only the cost of continuing health insurance. Small companies are hit especially hard by workplace disruptions as their ability to respond to business and employee needs is diminished. All child care legislation carries a price tag that would further increase the federal budget deficit.

STATUS: S.2488 was defeated on the Senate floor after it was attached to an amended ABC child care bill and a "kid porn" amendment to create a "pro-family" package. The Senate failed to invoke cloture, 50-46. Sen. Hatch joined with Sen. Dodd to support the child care portion of the defeated package. The House did not consider H.R.925 on the floor. 1989 hearings on parental leave are scheduled for February 2 in the Senate and February 7 in the House.

NAM POSITION: NAM supports the diverse initiatives being explored by business to address the needs of working parents. A shrinking labor pool and increasing numbers of women in the workforce will pressure employers to meet the benefit needs of workers, whether for dependent care, family leave, flexible work hours, etc. Efforts to mandate leave benefits are opposed by NAM. The federal role in child care should be to encourage affordable, quality child care through state and local initiatives and greater public-private sector cooperation. NAM does not support federal regulation of child care and encourages Congress to review existing federal programs for cost efficiency before enacting new programs.

NAM ACTIONS: NAM co-chairs the Concerned Alliance of Responsible Employers (CARE), which successfully fought mandated leave in the 100th Congress and is planning strategy for the 101st Congress. NAM is working closely with Capitol Hill staff as the new child care bills are being drafted.

OUTLOOK: Mandatory leave bills similar to 1988 measures will be introduced early in the House and Senate. Child care legislation has already been introduced in the 101st Congress, and Sens. Hatch and Dodd are reportedly working on a measure both could support.

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Rev. 1/19/89

INDUSTRIAL RELATIONS DEPARTMENT

ISSUE: Occupational Disease Notification

LEGISLATION: Legislation introduced in the 100th Congress (H.R.162 and S.79) would have: (1) created a new and duplicative federal bureaucracy; (2) triggered lawsuits based on stress, not disease; (3) triggered needless notification and distress of workers and their families under unrefined processes; (4) focused attention on after-the-fact notification rather than disease prevention; (5) mandated employer-funded medical monitoring for each notified worker if any of the allegedly harmful exposures occurred in the employer's workplace; and (6) mandated, upon a physician's recommendation, permanent employee transfers from an exposed position to a non-exposed position with no loss of wages, benefits or seniority--and if no non-exposed position exists, mandate a fully-paid 12-month medical leave.

EMPLOYMENT/COST IMPACT: Litigation costs are unknown, but one company's experience with a similar notification program was 800 workers notified, $335 million in claims filed. Annual medical monitoring costs are estimated at $500 to $3,600 per worker. Job transfers are estimated to cost $21,350 to $25,541 per employee. The aggregate annual costs have been estimated by Robert R. Nathan Associates to run as high as $6 billion.

STATUS: The House passed H.R.162 in October 1987. NAM and the business community scored a major victory on March 29, 1988, when after eight days of a filibuster led by Senator Hatch (R-UT) and four unsuccessful cloture votes, Senator Metzenbaum (D-OH), sponsor of S.79, withdrew the bill from Senate consideration. The final vote was 52-42 against cloture. It is unclear whether this legislation will resurface in the 101st Congress. Reportedly, Congressman Gaydos is reluctant to reintroduce the bill unless he is assured that the Senate can pass such a bill. OSHA reform legislation may take priority over this issue on organized labor's agenda. Conceivably, however, occupational disease notification could be one element of such a reform package.

NAM POSITION: NAM opposed H.R.162 and S.79, but supported the Henry-Jeffords House substitute which would have created a commission to study the effectiveness and feasibility of worker risk notification and required risk notification of studied workers, and would have strengthened existing OSHA regulations.

NAM ACTIONS: An NAM-led coalition with over 250 active members coordinated: lobbying strategy; Hill visits; Senate staff lunches; Hill staff briefings; editorial board visits; home state visits; action alerts to NAM members; and NAM and coalition letters to the Hill. Currently, the coalition is gearing up in the event that the legislation is reintroduced.

NAM Staff Contact: Susan Spangler (202) 637-3128
Rev. 1/19/89

INDUSTRIAL RELATIONS DEPARTMENT

ISSUE: Occupational Safety and Health Act (OSHA) Reform

LEGISLATION: No legislation has been introduced on this issue as yet.

EMPLOYMENT/COST IMPACT: No determination of employment/cost impact has been undertaken.

STATUS: No legislation has been introduced on this issue as yet.

NAM POSITION: NAM supports a safe and healthful workplace. There is no official NAM policy position on OSHA reform as yet. However, a task force of NAM members has been formed to develop an NAM policy position. Thus far, the task force members appear to be opposed to opening up the Act for changes, although they may favor some administrative reforms.

NAM ACTIONS: An NAM task force has been formed to develop the NAM position on this issue. Hill meetings with Senate and House offices have been initiated to gather information on possible legislative proposals.

OUTLOOK: The degree to which the 101st Congress will focus on OSHA reform is still unclear. Some level of attention, however, is certainly anticipated. A congressional task force formed by Representative Paul Henry (R-MI) is currently reviewing the issue and plans to introduce a legislative proposal sometime in the next few months. Democratic members are also reportedly studying the issue and developing proposals. Organized labor announced that it will have its own proposal to release sometime in February. There is also a chance that an OSHA reform proposal could incoporate some element of the High Risk Occupational Disease Notification and Prevention Act which was introduced last year and defeated in a Senate filibuster.

NAM Staff Contact: Susan Spangler (202) 637-3128
Rev. 1/26/89

ISSUE: Product Liability

LEGISLATION: In the 100th Congress, H.R.1115 as reported by the House Energy and Commerce Committee in June 1988 would have: (1) created uniform strict liability standards and established important limitations on manufacturers' and sellers' liability; (2) set a 25-year time limit after which manufacturers wouldn't be liable for products; (3) toughened standards for punitive damage awards; (4) redefined the role of the workers' compensation and tort systems to minimize transaction costs; (5) limited company liability if the injured person was drunk or on drugs; (6) limited claimant's damages if a product is misused or altered; (7) established penalties for frivolous claims; and (8) established an alternative dispute mechanism. The Education and Labor Committee held one hearing on the workers' compensation section; the House Judiciary Committee was scheduled to hold hearings but they were cancelled.

EMPLOYMENT/COST IMPACT: The Rand Institute has estimated that about $30 billion is spent each year on the tort system.

STATUS: No bills have been introduced yet.

NAM POSITION: NAM supported H.R.1115 but was disappointed and concerned about the specific exclusion of asbestos in the bill. NAM fought all weakening amendments in the Judiciary and Education and Labor Committees. NAM also supported S.666, a similar but not identical measure.

NAM ACTIONS: NAM was one of the key negotiators in the H.R.1115 compromise and has: (1) testified before both the House and Senate; (2) lobbied all members of the full Energy and Commerce Committee; (3) lobbied over 200 members of the House for cosponsorship; (4) done press interviews and releases and conducted two press briefings in 1988; (5) had NAM leadership make personal visits to key Congressional members seeking their support; (6) organized business rallies in support of H.R.1115; (7) directed targeted grassroots lobbying efforts at subcommittee and full committee members; and (8) placed op-ed pieces and conducted other media activities. NAM will wage a similar multi-faceted campaign in the 101st Congress with an eye to floor action.

OUTLOOK: Building on momentum from last year's success, bipartisan introduction in both the House and Senate is expected in February and joint referral to the Judiciary and Commerce Committees is likely. Early action is hoped for by the House Judiciary Committee whose new chairman, Jack Brooks (D-TX), is expected to be tough but fair. A carefully designed, targeted campaign will be waged in the Senate to overcome opposition of Judiciary chairman Fritz Hollings (D-SC), a long-time foe of the issue. As always, heavy grassroots support will make the difference between success and failure.

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Rev. 1/23/89

ISSUE: Reversion of Excess Pension Assets

LEGISLATION: The Technical Corrections Act of 1988 raised the excise tax on pension plan reversions from 10% to 15%. This small but permanent increase was agreed to by Senate and House conferees in lieu of a proposal that would have increased the tax to 60% through May 1, 1989. In addition, Treasury Department officials agreed to withhold final determinations on all pension plan terminations/reversions through May 1, 1989.

EMPLOYMENT/COST IMPACT: Expected revenue from the excise tax increase is estimated at $200 million.

STATUS: No legislation pertaining to reversions has been introduced in either House during the early days of the 101st Congress. However, the reversion issue was among several pension-related measures discussed during Labor Secretary nominee Dole's confirmation hearings.

NAM POSITION: NAM is opposed to legislation that restricts employer access to surplus pension assets. NAM is also opposed to legislation that would require employers to share surplus assets with employees and/or retirees in the event of a withdrawal or plan termination. Such legislation will undoubtedly cause employers to fund their plans to minimum levels, thereby threatening benefit security for American workers.

NAM ACTION: NAM continues to lead industry efforts to actively oppose restrictive legislation on surplus pension assets. Actions include visits to key members of both houses and grassroots activities, as necessary.

OUTLOOK: Although proponents succeeded in increasing the reversion excise tax to 15 percent in 1988, they are expected to demand additional restrictions this year, including sharing of excess assets with employees and retirees in the form of increased pension benefits. Sen. Metzenbaum (D-OH) has already indicated he intends to pursue legislation in this area. Deficit concerns will also pose a threat, as lawmakers look to pensions and other benefits as a source of revenue. Finally, leveraged buyouts (LBO's) will be examined with respect to their impact on excess assets and other pension issues.

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Rev. 1/17/89

INTERNATIONAL ECONOMIC AFFAIRS DEPARTMENT

ISSUE: 1992 European Community Internal Market (EC-92) Implementation

LEGISLATION: None in the United States. EC-92 will be implemented through more than 300 directives and other policy actions to be adopted by the European Community (EC) and its member states. The purpose of these directives and policies is to eliminate barriers to an internal EC market.

EMPLOYMENT/COST IMPACT: U.S. exports to the EC last year totalled $80 billion. Intra-EC trade by U.S.-owned firms equalled $550 billion. Two-thirds of the non-communist world's GNP is accounted for by the U.S. and the EC.

STATUS: EC-92 process began in 1985 with a proposed target list of 300 directives and policy initiative aimed at eliminating barriers to an internal market. Half of the 300 actions have already been taken. While most of these have been highly technical, some major actions have been taken, for example, in the public procurement area. Major decisions in areas ranging from antitrust to industrial relations are still to come.

NAM POSITION: While EC-92 holds the potential for being a significant benefit both to American exporters and U.S. companies in Europe, there are a number of issues in the implementation of EC-92 which need to be watched very closely. These include technical standards, public procurement, reciprocity, industrial relations, intellectual property, competition policy, and monetary policy.

NAM ACTIONS: NAM officials and members have met with numerous EC representatives to learn more about EC-92 and to express concerns about potential impact on U.S. manufacturing interests. Similar meetings have also taken place with U.S. officials. In addition, an NAM report has been prepared on the major issues for U.S. manufacturers in EC-92.

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Rev. 1/19/89

ISSUE: Exchange Rates

LEGISLATION: None pending. 1988 Omnibus Trade and Competitiveness Act contained provisions for greater Congressional oversight and requirement for annual report each October from Treasury to Congress on exchange rate policies.

EMPLOYMENT/COST IMPACT: In the mid-1980s, most experts estimated that 50 percent of the U.S. trade problem stemmed from the overvalued dollar.

STATUS: Since the September 1985 agreement among major industrial countries to intervene in the exchange markets and to coordinate economic policies to a greater degree, the value of the dollar has fallen by approximately 40 percent against other major currencies. But dollar still remains overvalued in some cases, especialy in relation to currencies of some Asian nations such as Korea and Taiwan. As required by the 1988 trade law, the U.S. has begun negotiations with these countries regarding their exchange rates.

NAM POSITION: Exchange rates should reflect underlying economic fundamentals. A rise in dollar should be resisted, but NAM does not favor intervention in markets to induce a major decline in the dollar at this time. Negotiations with countries having undervalued currencies should be pursued vigorously. Long range reform of the international monetary system should also be a priority.

NAM ACTIONS: NAM has been a leader in the 1980s in calling attention to the exchange rate issue and was the primary organization working on exchange rate provisions in 1988 trade law. NAM offered detailed comments on the Treasury exchange rate report required by the law. Future work will be guided by an NAM Task Force handling issue.

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Rev. 1/25/89

ISSUE: Export Promotion

LEGISLATION: No single bill deals with this issue. Some export disincentives (e.g., export controls, antibribery law) were dealt with in the 1988 Omnibus Trade and Competitiveness Act. The strength of various export support programs (e.g., Eximbank) will be determined by action on appropriation bills this year. And some components of an export drive can be implemented by the Executive Branch with no new legislation.

EMPLOYMENT/COST IMPACT: Policies directly affecting U.S. exports can involve large amounts of trade. Nearly $60 billion in manufactured exports fall under export control requirements. Other industrial nations offer $5 billion in direct credits for export financing and over $15 billion each year in mixed credits (e.g., the combination of foreign aid and official export financing). Approximately $5 billion in U.S. exports are generated by the export source rule in the U.S. tax law.

STATUS: An export promotion campaign—Export Now—was launched in 1987 by the Commerce Department, but this effort does not address some of the major initiatives which should be included in a U.S. export drive.

NAM POSITION: A major export drive should certainly include strengthening the Eximbank, beefing up the Foreign Commercial Service, greater protection of U.S. commercial interests overseas (e.g., product standards), avoiding changes in U.S. taxation of export income, development of an aggressive mixed credit program, and continued improvement of the U.S. export control system.

NAM ACTIONS: NAM has written key trade and economic officials in the Bush Administration on the need for an export drive and is preparing an op-ed on the subject to gain greater press exposure. NAM will continue to support the basic idea of an export drive and work on individual issues as they come up in 1989.

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Rev. 1/19/89

INTERNATIONAL ECONOMIC AFFAIRS DEPARTMENT

ISSUE: Foreign Investment in U.S.

LEGISLATION: H.R.5, introduced by Congressman Bryant (D-TX-5), would require special new procedures for the registration of foreign investment in the U.S., including disclosure of sensitive commercial information. This legislation is virtually the same as the so-called Bryant provisions which were dropped from the 1988 Omnibus Trade Act.

EMPLOYMENT/COST IMPACT: Foreign direct investment in the U.S. has increased from $35 billion in 1977 to $262 billion in 1987. By 1985, 7.5% of all manufacturing industry employees worked for U.S. affiliates of foreign-owned firms.

STATUS: Committee hearings and votes on H.R.5 and similar legislation are expected in both the House and Senate this year.

NAM POSITION: NAM opposes placing new registration requirements on foreign investment in the U.S. Such action would impede necessary capital flows and have serious implications for U.S. interest rates. It would run counter to the policies pursued by the U.S. government for the past three decades regarding the free flow of investment. And it would provide a convenient excuse for foreign governments to restrict U.S. investment overseas.

NAM ACTIONS: An NAM-led coalition of member companies will coordinate work on this issue, including: lobbying strategy, Hill briefings and visits, work with the Executive Branch, letters and other representations.

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Rev. 1/19/89

INTERNATIONAL ECONOMIC AFFAIRS DEPARTMENT

ISSUE: General Agreement on Tariffs and Trade (GATT) Negotiations

LEGISLATION: Authority for an up or down vote by Congress on a GATT agreement to eliminate tariff and non-tariff barriers was contained in the 1988 Omnibus Trade Act.

EMPLOYMENT/COST IMPACT: With world merchandise trade now exceeding $2.3 trillion each year and business service trade reaching $500 billion annually, GATT rules governing tariff and non-tariff barriers will become increasingly important.

STATUS: The current GATT talks began in 1986 and are due to conclude in 1990. At a recent mid-term review, agreement was reached on how negotiations should proceed in a number of areas including improvements in the functioning of the GATT system, reduction in tariffs, limits on trade-distorting industrial subsidies, new rules for trade in services, and restrictions on trade-related investment measures. No agreement was reached in two critical areas: ending agricultural subsidies and protecting intellectual property. GATT members will try to resolve differences in an April meeting.

NAM POSITION: NAM believes that the current GATT round is the single most important opportunity the U.S. has to maintain an open international trading system and so further U.S. commercial interests. Throughout the GATT talks, the NAM urges the U.S. Government to assess all proposals and/or compromises against the realization that manufactured products represent the core of U.S. trade.

NAM ACTIONS: NAM lobbied for GATT negotiating provisions in 1988 Omnibus Trade Act. The organization has met continuously with various government officials to present manufacturers' views on specific issues in the talks. These efforts will continue in 1989, coordinated by an NAM Working Group handling this issue.

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Rev. 1/19/89

INTERNATIONAL ECONOMIC AFFAIRS DEPARTMENT

ISSUE: Implementation of 1988 Omnibus Trade and Competitiveness Act

LEGISLATION: Legislation signed into law on August 23, 1988 contains provisions for: (1) negotiating authority for new GATT round; (2) strengthening of U.S. unfair trade law; (3) expansion of Congressional oversight of exchange rates; (4) improvement of U.S. export controls; (5) clarification of antibribery law; (6) protection of intellectual property rights; and (7) authorization of harmonized tariff system.

EMPLOYMENT/COST IMPACT: Some experts estimate about $10 billion of U.S. trade is affected by unfair trade practices which the trade bill would address. Others estimate that about $9 billion in exports are lost annually due to export control problems, some of which are addressed in the trade bill. It is not feasible, however, to estimate an overall dollar impact for the new law.

STATUS: This complex law of over 500 pages has already begun to be implemented and this process will continue throughout 1989. Examples of provisions already implemented include exchange rate oversight report, the harmonized tariff system, provisions on review of foreign investment for national security reasons, and sanctions against the Toshiba Corporation for export control violations. Implementation of the unfair trade provisions is expected to occur in May and April of 1989. Export control regulations are expected to be issued in February and March of 1989.

NAM POSITION: NAM consistently supported enactment of the omnibus trade bill and will comment when necessary and appropriate on the various regulations and reports resulting from this bill.

NAM ACTIONS: NAM has already commented on various policy actions taken under the new law such as the Treasury report on exchange rate policies. NAM will work with various departments and agencies on development of regulations implementing changes in export controls, antibribery laws, trade statutes, and other policy areas.

NAM Staff Contact: Howard Lewis III (202) 637-3144
Rev. 1/19/89

ISSUE: Clean Air Act Amendments

LEGISLATION: In the last Congress there were several clean air bills. S.1894, a comprehensive approach to amending and expanding the Clean Air Act, was a five-titled bill covering ozone nonattainment, acid rain, mobile source controls/fuels, NAAQS and air toxics. H.R.3054 was an ozone nonattainment bill with deadline extensions for cities, new penalties, and mass transit grants matched by 50% local funding. H.R.2666 was an acid rain bill applying to the entire U.S. and mandating major emissions reductions from fossil-fueled utilities. H.R.4331 was an acid rain bill similar to H.R.2666, but with a later target date for reduction. Early in the 101st Congress there have been three bills introduced on clean air: H.R.4 on air toxics, H.R.99 on ozone and carbon monoxide nonattainment and H.R.144 on acid rain controls. Introduction of several bills on the global warming issue is expected.

EMPLOYMENT/COST IMPACT: Annual cost estimates for S.1894 were $28.3 billion (CRS); $2.1 to $16 billion (CBO); $16.4 to $21.7 billion (EPA); and $6.37 to $7.37 billion (OTA for ozone nonattainment only). NAM's acid rain study of 99th Congress legislation indicated significant GNP decline matched by increases in both the budget and trade deficits, reduced housing starts and hundreds of thousands of jobs lost.

STATUS: Hearings and markups were held throughout the 100th Congress on Clean Air legislation. Although none of the bills were brought before the full House or Senate for a vote, negotiations took place at the end of Congress to fashion compromise acid rain legislation. No final compromise was reached. NAM anticipates much Congressional activity on Clean Air legislation because of changes in power in the Senate and the Administration. We also anticipate many hearings and bills attempting to address the global climate change issue.

NAM POSITION: NAM is opposed to S.1894 and H.R.3054, 2666, 4331 and 5032. Air toxics control may need to be reviewed in light of the recent court decision on benzene. The NAM supports scientific and public policy review of the global climate change issue within an international setting. It is likely that the United Nations Environment Programme (UNEP) will convene a meeting in 1989 to establish a framework for a multinational agreement similar to the Montreal Protocol to Protect the Stratosphere.

NAM ACTIONS: NAM will continue opposing bills which would radically change the existing Clean Air Act. Efforts will include: (1) widespread briefings on NAM's acid rain study; (2) NAM and coalition letters; (3) NAM member company visits to Congressional members both in D.C. and at home; (4) preparation of testimony, op-ed pieces and issue briefs; (5) Hill briefings of members and staff; (6) media and speaker events; (7) field issue meetings; and (8) participation in the Clean Air Working Group Coalition and the Hazardous Air Pollutants Coalition. NAM chairs an industry group that is looking into global climate change issues.

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Rev. 1/18/89

ISSUE: Clean Water Issues

LEGISLATION: Federal and state groundwater protection legislation is emerging as a leading environmental issue. Over the past 15 years, environmental policy has moved toward a comprehensive scheme of regulation governing waste disposal, toxics, and air and water emissions by industrial and municipal sources. This framework now includes the Clean Air Act; Clean Water Act; Safe Drinking Water Act; Toxic Substances Control Act; Federal Insecticide, Fungicide and Rodenticide Act; Resource Conservation and Recovery Act; and Comprehensive Environmental Response, Compensation and Liability Act. Effective groundwater protection will require action against diffuse sources of pollution, which are traditionally areas of state and local primacy. Large, identifiable industrial point sources have been aggressively policed under the Clean Water Act, Clean Air Act and other statutes. Municipal compliance with existing regulations, however, is notoriously lax, and the resulting agricultural and residential contamination problems have seldom been addressed.

EMPLOYMENT/COST IMPACT: No comparative estimate on all bills is available. However, drinking water cleanup costs can be extremely expensive.

STATUS: In the 100th Congress, Sen. Durenberger (MN-R) introduced S.2091 and S.2092, a comprehensive groundwater package. This bill would have set a national goal of non-degradation of groundwater and authorized the promulgation of health-based protection standards. Some industry critics were concerned that this might have implied a "zero emissions standard". Durenberger's legislation authorized $900 million and called for taxes (or user fees) on pesticides and fertilizer products sold for household lawn and garden use. S.2091 and S.2092 did not see any legislative activity in the 100th Congress but are expected to be reintroduced in the 101st Congress.

H.R.791 was a groundwater research bill which passed the House in December 1987 after five committees worked to resolve differences. A Senate version passed in October. However, the differences were never resolved and the bill failed as the 100th Congress adjourned. Senator Moynihan (D-NY) will probably remain the chairman for the Senate Water Resources, Transportation, and Infrastructure Subcommittee of the Environmental and Public Works Committee. He will no doubt move to introduce another groundwater protection bill. However, it may be closer to H.R.791 than S.20, his 100th Congress bill.

NAM POSITION: The NAM supports protection of the nation's drinking water supplies. In the 101st Congress, free-standing legislation may be introduced to deal with drinking water issues. Groundwater protection may also be included in the reauthorization of the Resource Conservation and Recovery Act (RCRA).

NAM ACTIONS: The NAM submitted comments to the Senate Environment and Public Works Committee in the 100th Congress. The NAM will continue to work for policy which balances water quality, quantity and regulatory reasonableness.

NAM Staff Contact: Theresa Pugh (202) 637-3175
Rev. 1/23/89

ISSUE: Superfund Implementation

LEGISLATION: The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) and the Superfund Amendments and Reauthorization Act (SARA), which have created the most extensive and expensive environmental program in the history of the country, address the cleaning up of hazardous waste sites. The direct impact of EPA's implementation of the Superfund scheme on individual sites has a tremendous impact on companies.

EMPLOYMENT/COST IMPACTS: The Superfund process develops a general fund, raised through taxes on corporations, to address hazardous waste sites. There are currently approximately 1175 sites on EPA National Priority List (NPL). Some environmentalists believe that there will ultimately be 2000 sites on the NPL. Assuming that the average cost per site is $20 million, $40 billion may ultimately be needed to address the National Priority List.

STATUS: EPA is currently proposing/reviewing several important policies, which include the role of municipalities as potentially responsible parties (PRPs) and a revision of the National Contingency Plan (which is EPA's blueprint for how the clean-ups proceed). EPA is currently in a 60-day comment period (until February 23, 1989) on the NCP.

NAM POSITION: An NAM policy position on Superfund implementation is currently in the developmental process.

NAM ACTIONS: NAM has formed an ad hoc group to address the implementation of Superfund. The group plans to formulate specific recommendations as to how Superfund is operated in order to make it run more efficiently.

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Rev. 1/26/89

RESOURCES AND TECHNOLOGY DEPARTMENT

ISSUE: Waste Management and Minimization

LEGISLATION: The Resource Conservation and Recovery Act (RCRA) is up for legislative reauthorization in 1989. Congress will review solid waste management under RCRA. It is likely that states will be required to have more stringent solid waste planning and capacity responsibilities. Solid waste management requirements will more closely resemble current hazardous waste regulations. Any bill to reauthorize RCRA will focus on waste minimization and/or source reduction of waste. The NAM supports voluntary reduction of hazardous and solid waste. Such waste minimization efforts are protective of the environment and are sound management practices for companies. Waste minimization reduces disposal costs and long-term liability exposure. NAM opposes including energy and mining waste under RCRA. This has been reviewed by the U.S. EPA periodically, and the EPA has agreed with the NAM view and has decided not to regulate energy waste as hazardous under RCRA.

EMPLOYMENT/COST IMPACT: No estimate available for RCRA reauthorization as a whole. Estimated reclamation costs of covering certain mining waste (uranium mill tailings) is $2 billion for 20 sites, excluding groundwater cleanup. Estimated costs of covering drilling and oil wastes would be $44 billion initially and $5 billion a year thereafter, with nearly 50% fewer wells drilled and 200,000 oil-related jobs lost.

STATUS: Action on RCRA reauthorization is not expected until the ozone and carbon monoxide (CO) nonattainment and air toxics problems are resolved in the Clean Air Act debate.

NAM POSITION: NAM opposes inclusion of mining waste and waste from petroleum exploration and development as "hazardous" under RCRA. NAM policy provides for treating federal facilities equally to private industry under environmental statutes. However, NAM is concerned with contract debarment terms and penalties such as those under H.R.3782 and 3783 of the 100th Congress. The NAM opposes mandatory waste minimization.

NAM ACTIONS: NAM is reviewing issues of importance to manufacturers such as land disposal bans, incineration limitations, and other items which would be subject to revision under a RCRA reauthorization bill. NAM recently published a booklet to help member companies minimize hazardous waste, "Waste Minimization: Manufacturers' Strategies for Success."

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Rev. 1/19/89

ISSUE: Deficit Reduction

LEGISLATION: None pending as yet. Typically, resolutions setting forth the revenue and outlay levels for the upcoming fiscal year are not actually introduced until sometime in the spring, after fairly extensive hearings. For the federal government's fiscal year beginning October 1, 1989 (FY90), the Gramm-Rudman-Hollings law specifies that the budget deficit may not exceed $100 billion. If Congress and the Administration cannot agree on a budget meeting this target, automatic spending cuts are triggered under a process known as sequestration. Under sequestration, cuts are apportioned on about a 50-50 basis between the defense and nondefense portions of the budget, with some entitlement programs, most notably Social Security, entirely exempted from being cut.

EMPLOYMENT/COST IMPACT: The federal deficit, which in recent years has ranged from 3% to 6% of GNP, significantly impacts the U.S. economy. While the economic costs are difficult to quantify precisely, it is generally conceded that the deficit has added several percentage points to long-term interest rates and also has contributed significantly to overvaluation of the dollar.

STATUS: In January 1989 President Reagan submitted an FY90 budget proposal which met the G-R-H deficit target. On February 9, 1989, President Bush is scheduled to announce, at least in broad outline, his proposed revisions to the outgoing Administration's last budget proposal. Among other things, the Bush proposal is expected to ask for less defense spending, holding increases in the defense budget to no more than the rate of inflation. Unlike prior years, serious budget negotiations between Congress and the Administration are likely to occur early in the process, rather than at the last minute. The National Economic Commission, a bipartisan panel formed to recommend a deficit reduction plan to Congress and the Administration, has been asked by Treasury Secretary Brady to deliver its report by March 1, 1989. It is unclear whether a strong majority of the NEC's 14 members will be able to agree on any plan by that date.

NAM POSITION: NAM believes the G-R-H deficit target can and should be met by restraining the growth rate of government outlays, without raising taxes and without resort to the subterfuge of mandating certain employee benefits. NAM supports reform of entitlement programs, including Social Security, especially by limiting automatic cost-of-living adjustments to less than 100% of the rate of inflation. If, as an absolute last resort, added tax revenues are required, NAM would support only a general consumption tax levied at a uniform rate on the broadest possible base of goods and services. NAM also supports procedural reforms, in particular Presidential line item veto authority and the balanced budget constitutional amendment.

NAM ACTIONS: In November 1988, NAM testified before the National Economic Commission, urging adoption of a comprehensive deficit reduction plan based entirely on expenditure restraint and including no new taxes. NAM will continue to assert this position vigorously during the upcoming FY90 budget process.

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Rev. 1/31/89

TAXATION AND FISCAL POLICY DEPARTMENT

ISSUE: R&D Tax Issues

LEGISLATION: None pending as yet. The two provisions in question are the tax credit for increased R&D expenditures, and the formula to be used under Internal Revenue Code Section 861 in allocating R&D expenditures between U.S. and foreign source income. Both provisions were extended for short periods by the Technical and Miscellaneous Revenue Act of 1988 (the so-called "technical corrections" bill), but the Section 861 extension has already expired and the extension of the R&D credit expires at the end of 1989. Bills to make both provisions permanent--or at least to extend them temporarily once again--are expected to be introduced during the spring of this year.

EMPLOYMENT/COST IMPACT: Consistent and predictable treatment of R&D under federal tax laws would improve our technological competitiveness, which underlies both productivity improvements and an increased standard of living.

STATUS: No bills have been introduced at this time, nor have any hearings on R&D tax issues yet been scheduled.

NAM POSITION: NAM strongly supports both the tax credit for increased R&D expenditures, and the formula to be used under Internal Revenue Code Section 861 in allocating R&D expenditures between U.S. and foreign source income. Both provisions should be made permanent. If this is not feasible, any further extensions should be for significant periods of time, preferably three years or more.

NAM ACTIONS: NAM is an active member of the CORETECH coalition and in 1989, as in past years, will work with the coalition to secure favorable legislative action on these important R&D tax issues.

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Rev. 1/31/89

TAXATION AND FISCAL POLICY DEPARTMENT

ISSUE: Restoration of Capital Formation Incentives

LEGISLATION: As part of the 1986 tax reform legislation, capital gains tax rates were increased, the investment tax credit (ITC) was abolished, and depreciation schedules were greatly lengthened. President Bush, however, is a strong supporter of reduced capital gains tax rates, and the Administration is expected to support a plan for doing this. The Administration's capital gains proposal may be unveiled as early as February 9, 1989, when the President is expected to announce his budget plan for the government's 1990 fiscal year.

EMPLOYMENT/COST IMPACT: It has been estimated that reduced capital gains tax rates could actually raise tax revenues by as much as $15 billion annually, due to increased economic activity. Other capital formation incentives, such as restoration of the investment tax credit and improvement of depreciation schedules, would in the long run lead to both increased capital investment and increased employment.

STATUS: No hearings on capital formation tax issues have as yet been scheduled. Bills on the capital gains issue are, however, certain to be introduced.

NAM POSITION: NAM supports the restoration of effective capital formation incentives, including but not limited to lower capital gains tax rates, shorter depreciation lives, restoration of the investment tax credit, and increased deductibility for individual retirement savings.

NAM ACTIONS: NAM expects to be able to support the Administration on the capital gains issue and is planning to do so. Meaningful action on other capital formation issues, unfortunately, does not appear very likely in 1989.

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Rev. 1/31/89

TAXATION AND FISCAL POLICY DEPARTMENT

ISSUE: Taxation of Employee Benefits

LEGISLATION: None pending at this time. Most revenue bills enacted in the last decade, however, have included provisions to extract additional revenues, for deficit reduction purposes, through increased taxation of employee benefits and/or the imposition of restrictions on tax qualified pension and profit sharing plans.

EMPLOYMENT/COST IMPACT: Increased taxation of, or restriction of, employee benefits tends to result in increased wage demands by labor to offset their higher tax burden or lost benefits. The ensuing increase in labor costs tends to result in lower productivity and/or fewer jobs, and frequently also leads to curtailment or elimination of benefits.

STATUS: No hearings on employee benefits taxation issues have as yet been scheduled. These issues are not likely to be considered unless Congress and the Administration agree to a tax increase for the government's 1990 fiscal year, an agreement which does not appear very likely at this time.

NAM POSITION: NAM supports the general structure of the current tax law, pursuant to which employee benefits are not currently taxable to employees provided certain requirements are met. NAM supports a moratorium on further changes in the rules of employee benefits taxation, so that both employers and tax administrators may have a reasonable period to learn to cope with existing rules. In addition, some of the existing rules—for instance those under Internal Revenue Code Section 89—are so convoluted and difficult that NAM supports their outright repeal.

NAM ACTIONS: NAM is an active participant in a business coalition to repeal Section 89. In addition, NAM will actively oppose any attempted increase in taxation of employee benefits and/or any further imposition of restrictions on tax qualified pension and profit sharing plans.

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Rev. 1/31/89

MANUFACTURING TRENDS

A report by Jerry J. Jasinowski, NAM executive vice president, on forces affecting manufacturing and how companies are responding

October 1988

Achieving Manufacturing Excellence

A special report on how successful manufacturers are meeting the competition of today's global economy

The first stage of manufacturing's drive to become more globally competitive succeeded, through a 40 percent exchange rate improvement and a 10-25 percent reduction in business costs. The second stage will be more difficult, requiring the federal government to commit to a national agenda to improve our competitiveness, while companies vigorously pursue actions aimed at achieving production and operational excellence. The checklist of 10 steps that follows is my way of categorizing what most successful manufacturing firms are doing to become world-class competitors.

1. Leadership. The best firms are headed by leaders who recognize that manufacturing excellence starts at the top, with a commitment by the CEO that the production side of the house matters and that the other key elements of the corporation — strategy, finance and marketing — must make manufacturing excellence a top priority.

2. Strategy. Successful firms use the strengths of manufacturing to formulate and execute a strategy aimed at worldwide competition. Manufacturing excellence creates competitive advantage by reducing costs, improving quality, creating new products and providing a more timely and flexible response to customers.

3. Cutting Costs. In the first stage of cost-cutting, manufacturing firms focused on downsizing: reducing direct labor costs, cutting inventory levels, outsourcing and shutting down inefficient capacity. Now firms are turning to more sophisticated forms of efficiency, such as cutting overhead costs, better purchasing and materials management, quality cost-cutting and energy cogeneration.

4. Quality. Today's top corporate priority has shifted from reducing costs to building world-class quality into every product. The key elements leading to success are understanding how the customer views quality, incorporating new quality standards into the corporate culture and implementing a total quality improvement program.

5. The Manufacturing Process. The best of today's manufacturing companies also strive for excellence in every facet of the manufacturing process, focusing on just-in-time principles of eliminating waste, simplification of product and process design, improved quality, better materials handling, integration of manufacturing and other corporate functions and a dedication to continuous streamlining of production flows.

6. Capital Investment. While production automation can yield substantial benefits, getting the basics right in preparation for new capital investments yields the biggest payoffs. The most successful firms debug the entire production process before they jump to automation. Firms then phase in capital investments according to a clear concept of integration for all components of the manufacturing firm.

7. Technology. Successful firms are striving to put technology to work more quickly to create new products and processes. They are doing this by investing more in research and development, eliminating organizational barriers between the labs and manufacturing and shortening product development time.

8. Human Capital. Successful corporations are finding creative ways to make employees part of the manufacturing excellence team by showing respect for the individual, involving them in improving the work process, emphasizing performance-based compensation and putting a high priority on training.

9. Marketing. Successful manufacturing firms know that selling to today's fast-changing global markets requires tying together marketing and manufacturing to respond to segmented markets and time-based competition with a flexible production response. The tough competitors make a commitment to sell abroad.

10. The Corporate Culture. The final step — and really the most important — is to build a culture committed to continuous learning and improvement, fostering values that make manufacturing a priority, properly measuring what contributes to a firm's long-term competitive position and developing managers who understand the dimensions of achieving manufacturing excellence.

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Achieving Manufacturing Excellence

This is a personal report on the comeback of American manufacturing, the status of the comeback and what remains to be done. Its premise is that the competitive circumstances at work in American industry have changed fundamentally and that success in today's global marketplace demands comparable changes in the way we think about and organize production. The essence of these changes is total commitment to achieving manufacturing excellence.

Where We Stand

The dollar is down; exports are up; and so are the earnings of U.S. manufacturing companies. *Fortune* magazine reports that America has suddenly "seized the lead in the race for global competitiveness." But witnesses to the ordeal that U.S. industry suffered in this decade have a right to be skeptical. Is victory really at hand? What are the facts?

The chief fact is that American firms *are* more competitive than they were three or four years ago. Since the peak of the real trade deficit in the third quarter of 1986, real exports have improved by $112 billion (in constant 1982 dollars), while real net exports (exports less imports) have improved by $66 billion.

The most pervasive and powerful reason for this improvement is depreciation of the dollar relative to the currencies of our major trading partners —

- Between the first quarter of 1985 (the peak value of the dollar) and the first quarter of 1988 (the trough value of the dollar), the exchange rate depreciated by 45 percent on a multilateral basis, while falling by 50 percent against the yen and the mark, and 31 percent against the pound. Since January 1988, however, it has appreciated about 10 percent on a multilateral basis.
- In industry after industry, America is becoming the low-cost producer. In dollar terms, Japan's unit labor costs rose by 43 percent in 1986; Germany's rose by 40 percent; while American labor costs remained stable.

Much of the recent export surge, however, is also the result of relentless self-discipline and cost-cutting by American firms determined to meet the challenge of international competition —

- Since 1982, U.S. manufacturers have moved aggressively to consolidate production capacity, slash unemployment costs, increase out-sourcing and reduce inventory levels. Sectorwide production costs are down 10-15 percent, with leading-edge firms scoring even more impressive gains, *e.g.*, Caterpillar cut employment by 40 percent, inventories by 50 percent and overall costs by 25 percent.
- In 1986, the United States led all major industrial countries in manufacturing productivity growth. From 1982 through 1987, output per hour in durable manufacturing industries surged nearly 40 percent; productivity in the manufacturing sector at large grew 25.5 percent.

The benefits of these gains ripple through the entire economy. Strong manufacturing industries are dynamic contributors to overall growth. They are a major market for services, and a key source of saving and investment. They are responsible for nearly all the nation's civilian R&D spending and most technological advancement. They provide a reservoir of well-paid jobs. They are the foundation of a strong national defense.

"An administration and Congress that fully understand the importance of manufacturing excellence to our national well-being should make manufacturing competitiveness a national priority."

So how much progress have we made? We are clearly on the way back. On a 10-point scale, U.S. manufacturing is now at "4" and climbing. But getting to be a "10" won't be easy, because our competitors aren't standing still —

- To hold market share, foreign firms—especially Japanese firms—have not raised export prices to match shifts in exchange rates. Between 1985 and 1987, the yen gained 45 percent against the dollar, but relative Japanese-U.S. export prices increased by less than 20 percent.
- Foreign firms have also been driving hard for greater efficiency. Toyota has managed to cut the yen cost of building a Corolla by an estimated 31 percent. Since 1985, Toshiba's labor costs are down by 40 percent. Some Japanese firms claim that they can be price-competitive in international markets even if the yen appreciates to 90 to the dollar.
- In addition, foreign firms have been investing heavily in advanced manufacturing technology. In the past five years, Japan has outspent the United States 2-1 on automation. During that time, 55 percent of the machine tools introduced in Japan were computer-numerically-controlled machines. The U.S. figure was 18 percent. Per worker, the United States has one-sixth as many robots as Japan. We are not even up to the figures for Germany and Sweden.

Becoming world-class competitors requires major changes in the ways that U.S. manufacturing firms compete. But it will also require a national commitment to compete and government actions to support that goal.

A National Commitment

An administration and Congress that fully understand the importance of manufacturing excellence to our national well-being should make manufacturing competitiveness a national priority. They should be aggressive and pragmatic in promoting U.S. manufacturing interests. Above all, they should appreciate their ability to damage the economy by passing legislation that could harm our ability to compete. They should make no economic policy without full consideration of the likely effects on our ability to compete in the global economy.

The next administration and Congress will need to take steps in at least the following six major areas:

1. *Reducing the budget deficit* is priority number one. The federal deficit eats into individual and business savings, raises capital costs and increases our dependence on foreign creditors. The administration and Congress must continue to hold the line on nonessential domestic spending (though new spending may be needed for education, commercially significant R&D and public infrastructure). Tax policy must identify sources of additional revenue that favor savings and investment, such as a broad-based consumption tax.

2. *Avoiding actions that harm manufacturing competitiveness* is priority number two. Washington needs to have a clear sense that industrial strength is a vital national interest, especially in a number of areas where we seem intent on shooting ourselves in both feet. I'm referring to

situations such as export controls, costly environmental and health care legislation and mandated benefits.

3. *Tax policy* is central to encouraging savings and investment. An administration committed to rebuilding U.S. competitive strength must consider restoring differential treatment for capital gains and providing more incentives to lower the cost of capital. Tax increases on capital must be avoided.

4. *Trade policy and administration* have to be more aggressive to adapt to the realities of international competition. We need to deal more effectively with unfair foreign trade practices. Vigorous implementation of the new trade bill must be pursued by the next administration.

5. *Taking a long-term view* is another key objective for competitiveness policy. We must take a hard look at establishing rule changes that would rein in corporate raiders without undermining the constructive influence of an active acquisitions market. We also need to take another look at other measures that would encourage stability and long-term investment by financial markets.

6. *Education and training* are the bedrock of national productive capacity. Long-term prospects for industrial strength hinge on improving the quality of American education and training.

While action in these areas will not guarantee manufacturing excellence, inaction will make it next to impossible for American industry to continue the gains it has made over the past few years.

How to Compete Better

When it comes to choosing how to compete better at the company level, manufacturers have three basic options: **(1)** establishing a competitive edge through manufacturing excellence; **(2)** winning by application of pure marketing muscle; or **(3)** diversifying through mergers and acquisitions. Each of these strategies has some validity and has enjoyed periods of popularity among American companies.

In the years when the United States was just beginning to build its industrial might, the most successful industrial entrepreneurs were people who exploited the production potential of new technologies. Their competitive strategies were based on manufacturing efficiency and scale. American industry was built on what was, by the standards of the day, very large-scale manufacturing excellence.

As America grew as a mass market, firms drifted away from the notion that first-class manufacturing was the central element in business success. Marketing driven strategies began to dominate. Companies began to "sell the sizzle."

By the 1970s, however, the old certainties of business were disappearing under the pressure of rapid technological change, growing international competition, the mounting presence of government in the economy and increasing sophistication in financial markets. Mergers and acquisitions became an increasingly attractive route to corporate growth and profitability, and that continues.

But, each day, I see new signs that American firms are getting back to a strategy predicated on manufacturing excellence. One reason for the change is that, with some important exceptions, the other two strategies have lost a lot of their magic. Experience shows that products cannot be sold by marketing power alone, without regard to price and quality. You can't just "sell the sizzle" when the competition dishes up a better product every time, often for less money.

"Competitive success depends on how effectively and efficiently a manufacturing firm performs its most fundamental task: making products."

These days, companies that do win with marketing-based strategies succeed by finding or creating market segments—special niches—in which they can achieve cost or quality advantages over their competitors.

Mercedes, of course, is the premier example of this type of firm. But some U.S. firms have also proven to be shrewd and aggressive niche marketers (*e.g.*, Rubbermaid). The key lesson in their experience is that successful niche marketing depends on efficient and/or highly flexible manufacturing. Markets may be narrower, but products still have to appeal on the basis of price and quality, or because they are more responsive to evolving consumer tastes.

In the past decade or so, diversification strategists have also had a pretty rough ride. To be fair, the record shows diversification can still be profitable if it results in a collection of closely related businesses within a single company. Diversification built around a common expertise or corporate capability can work. Indeed, companies are sloughing off alien businesses to get back to bundles of interrelated businesses. Examples include —

- TRW's sell-off of $800 million worth of low-growth, low-return subsidiaries and product lines in order to concentrate on core automotive, defense and electronics businesses; and
- General Mills' shedding of low-return or peripheral units and concentration on three basic business segments.

Far more often, however, competitive strategies based on acquisitions, mergers, or the latest financial chicanery have resulted in disappointments and divestitures. Michael Porter of Harvard Business School, for example, studied 3,800 diversifications (acquisitions, joint-ventures and start-ups) by 33 major U.S. corporations selected at random from 1950 to 1986. On average, these firms divested more than half their acquisitions in new industries and divested an astounding 74 percent of their acquisitions in totally unrelated industries.

Porter attributes this outcome to a failure by many diversifying firms to appreciate the costs and constraints that diversification can impose on firms. He argues that acquisitions must increase the competitiveness and value of individual business units; otherwise, they may prove to be costly mistakes.

Another reason why U.S. firms are refocusing on production is that if you don't handle production well, chances are you'll begin to lose the capacity for good work in other areas too, *e.g.*, product design and marketing. To design for manufacturability, you must understand production. To market effectively, you must understand production. And to understand production you must do it. A world-class manufacturing corporation cannot be hollow at the core.

American firms are being driven back to the basics of manufacturing excellence by forces that are affecting manufacturing firms everywhere in the world. Increasingly, firms are coming to the competitive fray with similar attributes and capabilities. Among the major industrial countries, labor cost differentials are becoming less significant as labor becomes a less important component of production costs. Capital markets are internationally linked. Knowledge about advanced management practices and new products and processes is quickly transferred across national boundaries. Differences in distribution systems and practices are diminishing. Markets are becoming saturated, buyers more demanding.

Under these conditions, competitive success depends on how effectively and efficiently a manufacturing firm performs its most fundamental task: making products. Competitive advantage is increas-

ingly dependent on production strengths.

What does the move to manufacturing excellence mean, in practice, for top management? It means giving operations a lot more attention and status. It means integrating production and other corporate functions to coordinate the execution of competitive strategy. It means staying away from "quick fixes" and paying enough, but not too much, attention to quarterly income statements. And it means mobilizing and cultivating people. In short, it means observing the 10 principles I want to discuss next: my checklist for manufacturing excellence.

The checklist that follows is my way of categorizing what the most successful U.S. manufacturing firms are doing, on a practical level, to make themselves world-class competitors. But first, I will outline three underlying themes that are pertinent to the effort.

The first theme is that there are *no single quick fixes*. Rebuilding and sustaining competitive strength entails nothing less than an open-ended and broad-based campaign of incremental improvement in every facet of production: a determined, methodical, neverending pursuit of world-class performance.

The second theme is that manufacturing firms face a *constantly changing and complex competitive environment*. What worked competitively yesterday is no guarantee for success tomorrow, as the personal computer market vividly illustrates.

The third theme is *the importance of people*. All the talk about advanced manufacturing technology notwithstanding, the way firms use people will determine more than anything else the extent to which they achieve production excellence.

Getting down the experience curve is one of the things that makes a winner and so far only people can do it. Good machines work the same way every time. Use doesn't make them more productive. Good people, on the other hand, get better with practice. They learn to use machines more efficiently; they find ways to improve processes and products. Challenges make them try harder.

This acknowledged importance of people is good news and bad news. The good news is that competitiveness doesn't demand massive investments in advanced production machinery and control systems, at least at first. There is no magic bullet that is too expensive to buy or too complicated and mysterious to use.

The bad news is that people are harder to retool than machines. Moreover, changing people's behavior may mean rebuilding a company's philosophy and the basic way it works: a pretty tall order.

Now for the checklist:

1. Manufacturing Excellence Starts at the Top

The environment facing today's managers is clearly much more difficult than in the past because of greater competitive intensity in a more complex setting. Deregulation, the movement toward the global economy, the maturation of certain markets and the increasing speed of technological development are the factors that have raised the level of competition. The world has also been made more complex by globalization, the increased number of firms or products available, and the increased use of more sophisticated technologies (see Kotter, *The Leadership Factor*). In this world of intense competitive activity among complex organizations, the need for leadership has increased and, in my view, this is even more the case if one is pursuing a strategy of manufacturing excellence.

"To endure, the commitment to excellence must be part of the CEO's vision and priorities... he/she must play a critical integrating role."

Winning with a production-based competitive strategy demands total dedication to building top-quality products that are competitively priced and delivered on time, and to developing new products in step with shifting market opportunities. In short, it demands a commitment to what has come to be called "manufacturing excellence."

Manufacturing excellence is the outgrowth of continuous effort to beat the competition by purging the production chain of operations and people that do not add value to final products. It means drastic reduction in inventories everywhere in the production system. It means aggressive simplification of products, processes and organizations. It means integrating design, manufacturing and marketing functions, and cultivating teamwork throughout the firm. It means heavy investments of time and money in the continual enrichment of human and physical capital. It means making the measurement of manufacturing performance the principal indicator of company success. And it means everyone "from the top floor to the shop floor" sharing a personal sense of responsibility for customer satisfaction.

The CEO's role in all this is crucial. To endure, the commitment to excellence must be part of the CEO's vision and priorities. Since it involves pulling together most of the activities of the organization, he/she must play a critical integrating role. By personal example and by exercising the power to shape corporate institutions, he/she must ensure that this commitment is woven into the cultural fabric of the firm so that continuous improvement is achieved.

2. Helping Define Competitive Strategy

Without a strategy for competitive success, you are likely to fail unless you are lucky. Without integrating manufacturing into your strategy, you are putting yourself at a big competitive disadvantage.

Competitive strategy defines the way a company makes a success out of whatever individual business or businesses it is in, how each business unit in the company identifies and exploits advantages over actual and potential competitors.

Competitive strategies come in different shapes and sizes. For example, Harvard's Mike Porter identifies three generic approaches that businesses can take to master their competitive environments: **(1)** achieving low-cost leadership; **(2)** building a reputation or product that is perceived as unique in the industry; and **(3)** targeting a particular market segment and achieving cost leadership or product differentiation within that segment.

Harvard Professor Robert Hayes, in the NAM-endorsed video tape "Manufacturing Strategy," emphasizes that firms can compete on the basis of five factors: cost, quality and performance, dependability and service to the customer, flexibility, and innovation.

Whatever the strategy, it is better if tailored, not bought off the rack. Each firm must define its own strategy based on its circumstances and ability to discover or create advantages in the key dimensions of competition: cost, quality, on-time delivery, product development/flexibility, sales and service. Each firm must decide how it is different from its competitors and how it can best compete.

The important aspect about competitive strategy that many firms seem to forget is that its focus is the marketplace. It is a plan of attack (or defense) that aims at exploiting advantages and neutralizing disadvantages in the general competitive environment.

The focus is: How do we beat the competition? For example, cost-cutting by itself may be simple scrimping. Carried to excess, it may sap a firm's competitive

strength. Alternatively, and much more positively, cost-cutting may be part of a strategy aimed at achieving or sustaining an overall low-cost position.

Of course, the success of such a strategy might also depend on *not* cutting costs. Achieving a low-cost position could entail heavy front-end investments in new process technology and employee training. So, *strategic* cost-cutting could translate to higher operating costs, at least over the short haul.

Moreover, since the competition is no longer only homegrown, the question is really: How do we beat the competition worldwide? Winning worldwide demands at least two challenges. One is making excellent products at competitive prices, delivering them on time and giving solid after-sales service. When it comes to excelling here, it isn't good enough any more to be "the best in Indiana." The only safe position is to be "the best manufacturer in the world."

The second challenge is "taking it to the competition." By itself, being the best isn't good enough, isn't safe enough. Our major overseas competitors have shown us clearly that the way to build world-class competitive capability is to go for world market share.

For example, regarding Honda North America's plan to export 70,000 cars in 1991 (50,000 of them to Japan), company President Tetsuo Chino asserts: "It is not enough that our U.S. operations are competitive only in the United States. It is the world arena where the competition will be won."

Exporting to, or manufacturing in, all of the world's major markets usually means larger profits, more investment and greater overall financial strength; it creates opportunities for scale economies; it increases production and marketing flexibility.

Worldwide operation may also increase "company learning." Marketing innovations and new process or product technologies developed overseas may contribute to greater success at home.

Moreover, by contesting all markets, U.S. companies help to keep the competition honest. Challenging the competition worldwide limits profits by foreign companies in non-U.S. markets. As a result, foreigners may be weaker financially and have less price flexibility when they contend with U.S. firms in the United States.

Whatever competitive strategy is chosen, it is essential that the manufacturing part of the organization consistently support that strategy. Decisions about facilities, equipment and sourcing must share the same focus. Similarly, policies for quality improvement, inventory control, organizational structure and the use of human resources must be consistent with the overall competitive and manufacturing strategy.

3. Cutting Costs and Improving Productivity

Cost-cutting has been American industry's first answer to the competitiveness challenge. U.S. firms have attacked high production costs with determination and with considerable success.

Companies have taken two basic approaches to cost-cutting: **(1)** rationalizing, *i.e.* sharpening the firm's focus on core operations; and **(2)** taking a variety of steps to increase productivity.

Rationalization. Companies that drifted into broad diversification in the 1960s are now ruthlessly shedding operations not central to their basic competitive capabilities. Put bluntly, companies are getting rid of businesses that don't fit their core focus.

"Whatever competitive strategy is chosen, it is essential that the manufacturing part of the organization consistently support that strategy."

Recent examples of corporate rationalization include the TRW case cited earlier and Monsanto's sell-off of its loss-incurring commodity petrochemical businesses and concentration on more competitive specialty petrochemical products.

To enhance manageability, rationalizing companies are also downsizing their core businesses. Downsizing concentrates resources and management attention and eliminates excess or inefficient capacity. In mature industries, especially, reductions in capacity have been remarkable.

Since 1982, U.S. raw steelmaking capacity has been cut by 27 percent. When you combine capacity reduction with plant modernization, you get striking productivity gains. USX now makes a ton of steel in less than four man-hours, down from 10 man-hours a few years ago.

Efficiency. The second general approach firms have used to cut costs is to boost efficiency and productivity in existing or modernized plants and offices.

Widespread automation accounts for some of the improvements. Even more important then automation, however, has been the introduction by American firms of literally hundreds of productivity improvement measures and techniques.

Common to all these is a new attitude: a commitment by management and workers to continuous improvement. When management and workers together approach manufacturing with the attitude there has to be a better way to do everything, and when they apply imagination, the solutions are almost unlimited. Without enormous outlays for fancy new equipment, but with careful attention to the human side of work, companies are finding they can achieve 20-40 percent gains in labor productivity within several years.

Further, management and labor are *both* taking a more realistic view of what companies can afford in the way of pay raises. Manufacturing compensation increased about 10 percent per year during the 1970s; it is increasing at about 2.5 percent per year during the 1980s.

Many manufacturing companies have made dramatic strides in reducing direct labor costs. In several of today's most competitive firms, it is not uncommon to hear of plants with direct labor costs as low as 5 percent of total product costs. As a result, the main focus of cost-cutting attention is shifting from direct labor to other cost drivers—especially indirect labor and headquarters staff costs—and materials costs.

By simplifying and tightening up their manufacturing processes and raising quality, companies are dismantling what experts call "the hidden factory": all the checkers and controllers who keep track of things, but don't make anything.

Also, managements are discovering that they really can run companies—quite big ones—without in-house staff assistants for everything. Companies are laying off staff. When they occasionally need specialized expertise, they contract outside for it. Some firms are letting line managers decide the types of corporate staff they want or don't want.

Since materials costs are becoming more important, firms are following two tracks to cut these costs. First, they are trying to reduce the materials content of products. Second, they are trying new approaches to sourcing. Some companies are turning to worldwide sourcing. Some are emphasizing quality-assurance sourcing. And still others are emphasizing the timeliness of delivery. Managements are rediscovering the purchasing function, insisting on better purchasing, and integrating purchasing into the mainstream of the manufacturing process.

Companies are cutting costs in lots of other ways, too—

- *Preventive Maintenance.* Better main-

tenance of machinery extends machinery life, thereby reducing capital costs.

- *Quality Cost-Cutting.* Raising quality can lower costs by reducing waste, rework and warranted service.
- *Cogeneration.* Despite softness in energy prices in the past several years, companies with an eye on long-range competitiveness are still working to cut energy costs. Cogeneration — which is the equivalent of killing two birds with the same stone — is getting a lot of attention.
- *Health-Care Cost Control.* According to an NAM survey of CEOs, their number one concern this year is the skyrocketing cost of health insurance. Companies are trying to contain these costs by changing benefits and financing, and by turning to more efficient health-care providers.

Since the late 1970s, manufacturing has gone through two stages of cost-cutting. The first focused on direct labor costs in the plant; companies cut labor and capacity. But in recent years many companies have moved into a second stage of cost-cutting, paying more attention to overhead and letting the cost-cutting broom sweep through all company operations.

We're still in stage two. We have to keep it up, but we must also do more. In particular, we must exploit the opportunities for increased productivity inherent in product and process improvement: the subjects of the next three categories on the checklist.

4. Top Priority: Building In Quality

Starting in the mid-1980s, American industry rediscovered quality with a vengeance. Companies participating in the 1987 survey of Boston University's Manufacturing Roundtable identified programs for quality control as the single most important element of manufacturing strategy through the end of the decade.

There are at least six reasons why. First, largely because of the Japanese, quality has become a major element in global competition. Second, U.S. companies have discovered that markets are increasingly attracted to quality; quality has tremendous selling power and creates loyal customers. Third, in light of the accumulating evidence, U.S. manufacturers have finally admitted to themselves that they have not been quality-competitive. Fourth, U.S. manufacturing companies that started quality improvement programs have discovered that the costs of bad quality are far higher than they had assumed, often running more than 20 percent of sales. Fifth, U.S. manufacturers have learned the pursuit of quality is a potent device for making the entire manufacturing process more efficient. And sixth, U.S. firms are learning that quality has great motivational power. Quality engages the hearts and minds of managers and workers.

To become a top quality producer, a company must understand some basic principles about quality control:

- Quality is defined by the customer, not the producer.
- Quality control is based on prevention, not inspection.
- Quality control means doing things right the first time.
- Quality control is more than an attempt to make better products; it is a search for better *ways* to make products.
- Under total quality control, inspection should occur throughout production, not just at the end.
- Quality control requires making operations as fail-safe as possible, *i.e.*, reducing deviation from zero defects.
- Quality control is an ongoing process; it never ends.

"Many companies have moved into a second stage of cost-cutting, giving much more attention to overhead and letting the cost-cutting broom sweep through all company operations."

CEOs who are serious about quality must build the emphasis on quality into the culture of the firm. Quality must be a principal measure of firm performance. Employees must be deeply and genuinely involved. Their advice about manufacturing improvements must be heeded. Their responsibilities for production must be expanded.

Companies dedicated to quality do extensive training. High quality production requires workers who can use, maintain, fix and experiment with production equipment. It also requires workers who understand the basic principles of problem-solving and who can communicate effectively. Quality workers make quality products.

In addition to operating on these principles, companies are making quality gains by reorganizing manufacturing processes and, in particular, by adopting cellular or modular production methods. As one expert notes, no one in a module can hide bad work.

Though superior quality is now a goal for most American manufacturers, actual results still lag behind.

The American Society for Quality Control estimates that the costs of bad quality in U.S. companies are three times those in Japanese companies. J.D. Powers' annual assessment of auto owners' satisfaction indicates that U.S. quality remains below that of the Japanese. A Department of Defense study shows that nonconformance and rework rates in the Japanese electronics industry run 0.5-1 percent, compared with 8-10 percent in the United States. Ernest Hugh and Alan Anderson, authors of *The Spirit of Manufacturing Excellence*, claim that Japanese companies are driving down defects to 10 per million, while there are still U.S. manufacturers operating at 10,000 to 20,000 defects per million.

For U.S. quality leaders, the firms that have made remarkable advances, quality has had tremendous payoffs. Quality sells. It's profitable, too.

5. Improving the Manufacturing Process

The best of today's manufacturing companies strive for excellence in every facet of the manufacturing process. Although there are many ways of looking at it, the technique most widely associated with manufacturing excellence is "just-in-time" manufacturing, or JIT.

Some people think of JIT as simply an inventory control system or a means to achieve stockless and small-lot production. But it really is a system of enforced problem-solving aimed at reducing lead times and waste. With waste—like buffer stocks—eliminated, problems of quality or scheduling immediately become apparent. The inadequate worker, the poor machine, the inefficient work layout cannot be hidden.

JIT is just one of the many techniques used to achieve manufacturing excellence. When all are applied, the results can be spectacular.

- Some experts claim that the best practitioners in Japan and the United States have achieved 50-100 percent finished goods inventory reductions; 70-90 percent work-in-process reductions; 40-70 percent space reductions; 30-50 percent capacity increases; 70-90 percent shorter lead-times; 30-50 percent overhead cost reductions; 30-50 percent product cost reductions; and rejects reduced from 2 percent to .001 percent.

A common view holds that manufacturing excellence is based on four general principles: **(1)** elimination of waste; **(2)**

elimination of complexity; **(3)** integration of activities inside manufacturing and between manufacturing and all the other functions of the firm; and **(4)** continuous improvement. Two of these principles require some explanation.

Elimination of Product and Process Complexity. Product complexity pushes up scrap costs, reduces yields, keeps setup costs high, impedes automation, hinders inventory reduction and drives up the number of transactions that have to be dealt with in engineering, production, marketing and administration.

Minimizing product complexity starts with a carefully thought-out product strategy. The aim should be to reduce the breadth and turnover of the product line while protecting high-value differentiated products. The elimination of product complexity blends into the elimination of *process* complexity right when products are first designed.

A rule of thumb in the defense industry seems to be that as much as 60 percent of avoidable manufacturing costs are created during the design phase. That percentage may be lower for standard products, but the basic point remains: The most effective way to simplify production is to simplify products.

Another step toward elimination of process complexity is the focused factory approach. The focused factory reduces complexity by devoting a single facility to a single purpose. Alternatively, focus can be increased by creating discreet minifactories within regular plants.

Under the new plant configurations, complexity diminishes for two main reasons. First, there is far less material movement and clutter. Materials have less distance to travel. The arrangement permits small-lot production and quicker throughput. Less material is needed in production. Second, control is much easier. Combining manufacturing cells with pull production techniques can sharply reduce the need for fancy computerized scheduling systems.

Mistake-proof production is another way to eliminate process complexity. The Japanese call it the "poka-yoke" system. You immobilize everything on machinery that is adjustable and not essential to the immediate task. Then you install all sorts of guides and fixtures to assure tasks can be performed only one way: the right way.

Success breeds success. Reducing complexity reduces the need for supervision. Good plants tend to be thin plants, thin in layers of supervision. Reduction in the numbers of supervisors cuts costs. Speed-up in decision-making cuts costs, too. Maybe even more.

Integration. Companies achieving manufacturing excellence also seem to be very good at integrating engineering, production and marketing.

The classic symptom of a lack of integration is a high number of engineering change orders. In a recent survey of the engineering change systems in 30 U.S. industrial firms, Booz Allen found that more than 50 percent of the firms processed 2,000 engineering changes annually: *one change per working hour.* There is no way to achieve efficient production under such circumstances.

Integration of engineering, production and marketing paves the way for further integration within production. It is then possible to link manufacturing, materials handling and control systems. Integration is not the same as putting the entire plant in a straight jacket, with every activity tightly coupled to every other. The aim of integration is flexibility, which means all parts of the plant operate in harmony, not in lock step.

"The aim of integration is flexibility, which means all parts of the plant operate in harmony, not in lock step."

Manufacturing excellence also calls for another important type of integration, that with suppliers. Successful supplier/buyer relationships require much top management involvement on both sides; the sharing of product, process and specification change information; technology exchange; and joint involvement in design, not to mention multiyear commitments on the buyer's part.

The measures used to improve the manufacturing process are increasingly being targeted at inventory and materials handling. That is because materials now account for the largest share of manufacturing costs, often 50 percent or more. The attack on materials is occurring on three fronts: **(1)** reducing the materials content of products; **(2)** substituting materials, which allows for whole new approaches to manufacturing; and **(3)** adopting improved techniques for materials handling.

Regarding the first approach, products can be designed to require less materials content. Parts can be machined with less scrap or they can be formed initially according to net shape principles. Either way, there is less waste. Lighter or sturdier products also require less packaging. Again, materials are saved.

There is a saying that the best materials handling system is no materials handling. Cellular plant layouts and JIT manufacturing can come close to this. Still, for many categories of production, materials handling remains inevitable. In those instances, tasks once assigned to hand feed, conveyors or forklift trucks are now being assigned to robots, automated guided vehicles, and automated storage and retrieval systems. Though effective when properly fitted into a production system, these high-tech techniques should be carefully integrated into the simplest production operation possible.

Among U.S. manufacturers, how many are striving for excellence? One hint is the extent to which they are adopting JIT. A 1986 survey of suppliers to U.S. auto manufacturers reveals that more than 80 percent of them had begun to implement JIT programs.

While these facts show that JIT programs are now common — at least among auto component manufacturers — other facts from the same survey suggest that the companies are not applying JIT principles comprehensively. Of the companies with JIT programs, 56 percent reported reduced inventories, 45 percent better customer relations and 43 percent improved quality. That's encouraging. On the other hand, only 33 percent reported improved productivity, only 23 percent reduced setup costs and only 22 percent better employee relations. JIT—if it is really seen as part of a total manufacturing excellence program—should lead to better results than these.

6. Retooling the Factory and Automation

The first step toward the factory of the future is a step back to basics. Advanced manufacturing technology offers extraordinary opportunities for improvements in the areas of cost, quality, flexibility and deliverability. But to benefit from these opportunities, companies planning to install sophisticated equipment and systems must devote enormous energy to simplifying their manufacturing practices.

We've all seen the reports on how the Japanese are outspending us on advanced manufacturing technology. But it's important to understand that Japanese manufacturers have also directed a great deal of investment at improving equipment already in place. As recently as 1980, as much as 60 percent of Japanese capital spending went for improving old machines. At the same time, only about 25

percent of our investment dollar went to improving existing equipment. In contrast with the Japanese, U.S. industry's first reaction to the competitiveness challenge was to try to buy manufacturing excellence off the shelf.

What's becoming clear now is that investment in advanced manufacturing technology is usually not a good first step in the movement to manufacturing excellence. The preparatory steps have to be product and process simplification, and continuous and substantial upgrading of workers' skills.

The authors of *The Spirit of Manufacturing Excellence* advocate what they call "grind-it-out" automation, which for them means reducing set-up times to a few minutes, getting machine uptime to 99 percent, designing all complexity out of products and processes and getting the most out of existing equipment. They think the grind-it-out strategy is simpler to implement, demands relatively little front-end capital, keeps risk low, and builds in-house capabilities to design and implement customized process that cannot be duplicated by competitors.

In highly automated environments, workers must be real-time hands-on technicians capable of adjusting the system to obtain steady minor improvements. Here the distinction between the U.S. and Japanese approach is startling. With a big automated system, we say get it going right and then don't touch it; the Japanese say get it going right and then tamper with it all the time to make it even better.

Studies of companies that have put in fairly ambitious automation projects come up with some fascinating results. As much as 50 percent of the benefits of the projects seem to be attributable to improvements in basic manufacturing practices required to accommodate automation. Another 20 percent of the benefits come from manufacturing-driven product redesign. Only about 30 percent of the benefits seem attributable to the automated system itself. In short, successful automation forces manufacturers to do the fundamentals right, and that's where the big payoff comes from.

Once the fundamentals are right, companies can deepen their investment in advanced manufacturing technology. Among experts, the predominant view is that this involves adding new hardware and software on a cell-by-cell basis. The aim is to strive for perfection within each individual cell. If business expands, capacity is added by replicating cells. The extent to which cells are automated depends on the tasks accomplished within the cells. Avoided is automation for automation's sake. Once cells are perfected, they are integrated. In this way, the factory incrementally works toward computer integrated manufacturing.

This approach would seem to fly in the face of systems principles, according to which management's aim should be to optimize the efficiency of the entire plant, not activities (cells) within it. While the theory is good, manufacturing managers have come to appreciate that the try-to-optimize-everything-at-once approach is next to impossible, especially given the complexity of modern manufacturing. If the parts are not running smoothly, all that the systems approach boils down to is the integration of chaos.

"With a big automated system, we say get it going right and then don't touch it; the Japanese say get it going right and then tamper with it all the time to make it even better."

The most successful U.S. manufacturing firms seem to be urging the rest of us, by example, to remember these simple rules: basics first—simple-tech before high-tech; get everything possible out of existing equipment; then automate; and, lastly, integrate.

7. Increasing the Payoff From R&D

Most observers seem to agree that America's dominance in industrial R&D is seriously eroding. To make matters worse, this erosion has occurred just as R&D is becoming an increasingly important determinant of winners and losers in global competition. Though product and process innovations have always been key to business success, emphasis everywhere on innovation now makes them key to survival. And the ability to manage R&D—to innovate quickly and repeatedly—is as important as the product or process innovations themselves.

Moreover, R&D and production are becoming increasingly interdependent. It no longer suffices for a company to be the best at designing products unless it is also very good at making them. What the Japanese have shown, and what a few U.S. companies have confirmed, is that superiority in production is now a prerequisite for superiority in product development. The relationship between the lab and the plant has been turned on its head. The ability to make now gives firms an edge in the ability to invent.

What does all this mean for U.S. manufacturers? First, we simply will have to spend more on R&D. The recent record of industry expenditures on R&D shows why. Corrected for inflation, industry spending on R&D increased about 5.5 percent during the 1980-84 period. Since then, it has gone up by about 2.5 percent a year. Starting a few years ago, business spending on R&D in Japan and Germany exceeded such spending in the United States. Also, American manufacturers must stop treating R&D as discretionary expenditures. In too many cases, the R&D spending patterns of companies have fluctuated with the swings of business cycles.

Second, U.S. industry must speed up the rate at which it commercializes technology. Studies constantly demonstrate that the United States is more inventive than Japan, but most studies also show that the Japanese convert new ideas into marketable products faster than we do.

The challenge for U.S. industry is to get a bigger payoff from its product development efforts. Step one here is keeping the customer in mind throughout the product development process. But beyond this, the experiences of foreign and domestic firms indicate that it is possible to increase significantly the productivity of corporate research and development.

Successful managements create specific mechanisms to break down the organizational barriers between company labs and company sales personnel. In fact, the companies with the best product development records appear to mix up all the functions that have a role in designing, making and selling a product.

All sorts of devices can be used to ensure interaction between R&D and manufacturing personnel. For instance, R&D personnel can be made responsible for managing innovations beyond the prototype stage or the pilot plant stage. Or company policies and incentives can be aimed at encouraging internal entrepreneurship. Small teams of innovators can be turned into miniature firms within larger enterprises.

Successful high-tech companies also seem to have an organizational readiness to live with the improvisation and experimentation inherent in getting new products or processes to market. In Japan, products get developed through a repetitive try-it, improve-it, try-it-again process. Gains come through lots of little advances rather than the one big technical fix. U.S.

companies can match this, but again management must provide the organizational signals that encourage the experimental approach to product development.

Regardless of how much companies push up the productivity of R&D, it remains costly. What companies cannot afford to do alone, they are starting to do in collaboration with other high-tech companies. Cooperative ventures in R&D are becoming more common.

Managements must become much more familiar with cooperative research arrangements—how to structure them and how to manage them. Successful ventures will most likely be directed at solving problems common to an industry or to several firms, whereby each participant can exploit the results according to its own competitive strategy. The arrangements will have to be designed and managed to assure that everybody wins.

Today, innovation involves many activities outside the normal bounds of R&D. It involves organizational experimentation. It involves lots of training. It involves new relationships outside the firm, from suppliers to customers. It is the area where some U.S. companies are making tremendous strides. But it is an area where many U.S. companies still face an uphill climb.

8. Making Employees Part of the Team

American manufacturing firms cannot keep pace with the world's best unless workers and managers, together, take personal responsibility for winning. The task is immense. Attitudes have to change. Teamwork, not individualism and not "adversaryism," must be the principal mode of operation.

What that means in practice is that managers must treat production workers as a major competitive resource, not a necessary evil.

Many American firms already do. Omark Industries' 1984 annual report carried the names of all Omark employees: more than 4,000 names. Ford received 1,401 employee suggestions for building Taurus better. In every case, management got back to the people who made the suggestions.

Employee involvement starts at the top of a company. Management must demonstrate by repeated acts that it values and respects employees. It must define and explain the mission of the firm in ways that elicit enthusiasm and support from employees. And management must invest in employees.

This last point means that employee involvement begins with careful recruiting and selection of employees, followed up by thorough entry training. Once on the job, training must become a way of life. Workers need opportunities to upgrade their specific job-related knowledge, their skills at applying that knowledge, their problem-solving skills and their communications skills.

At the minimum, 3 - 5 percent of shop-floor workers' total work time should be devoted to training, whether formal or on the job (OJT). For workers assigned to specific problem-solding teams, the number should be more like 10 percent. In very advanced factories—FMS plants, for example—where traditional workers have been replaced by programmers and highly skilled maintenance personnel, training is almost constant. Doing and learning are inseparable.

"American manufacturing firms cannot keep pace with the world's best unless workers and managers, together, take personal responsibility for winning."

At its best, employee involvement means well-trained people are putting their skills to work in teams. Building team spirit means giving workers substantial responsibility for manufacturing excellence. Some companies combine operations and maintenance functions. Production workers who maintain their equipment know about it and care more about it. Companies that practice TQC integrate quality and production responsibilities, empowering production workers to shut down the line when they spot a quality problem and encouraging them to suggest process and product improvements.

Changing people's attitudes and expectations about their work means, in many cases, changing the way work is organized. People don't really get team spirit without the opportunity to work in teams, and unless team achievements are measured and rewarded.

Thus, whenever feasible, employee involvement translates to giving small groups of workers the responsibility for producing whole components, or families, of components.

For example, teams of five to 11 people build entire sections of the Buick Reatta. There is only one formal job classification in the Reatta plant and workers are free to rotate jobs or change teams. Each worker may perform 55 or 60 tasks on a car, while it is at his station. Each team has a given set of operations to perform and team members decide who does what.

When it comes to rewarding teams as well as individuals, U.S. firms have been fairly cautious. Rarely do companies tie compensation to team performance. U.S. firms have been more active, though, in using reward systems to prepare the ground for better teamwork. Some companies, for example, now use pay-for-knowledge systems; they pay higher wages for the mastery of new skills and the assumption of expanded responsibilities.

Despite the hundreds of techniques that can be applied to promote employee involvement, one truth always must be kept in mind. No technique will work unless management believes employees are knowledgeable, trustworthy, willing to accept responsibility and concerned with improving operations.

9. Meshing Marketing and Manufacturing

A great Confederate cavalry commander once said that winning is mainly a matter of "getting there firstest with the mostest." The same principle applies in global competition. Winners get there "firstest with the mostest" of what markets really want.

Getting there "firstest" means tying together marketing and manufacturing to meet time-based competition. Increasingly, competitive success depends on shortening the time it takes to convert a laboratory idea to a product on the shipping dock; then ensuring that delivery is quick, on time and exactly according to specs.

Getting there "firstest" also depends on making manufacturing more flexible, *i.e.* achieving efficiency with shorter product runs and cutting down the time it takes to shift from producing one product to producing another. The demand for flexibility is market-driven. Mass markets are crumbling; niche markets are becoming more important. The globalization of competition means that products must now be tailored to diverse national tastes. Product life cycles are shortening; new products must fill the gap left by quick-dying products.

Since flexible manufacturing is so important, it is worth reemphasizing what American firms have learned about it in the past few years. Flexible manufacturing doesn't necessarily mean putting in big, expensive, computer-controlled machines. But it does mean rearranging existing

layouts to allow for shorter production runs and faster throughput. It means adapting *existing* machines and organizing work stations to reduce set-up times and cut down on rework. It means designing products and parts for flexibility and saving customization touches until the end of the assembly process.

Getting there with the "mostest" adds the idea that manufacturing companies must match their products with their processes if they are to have true marketing clout. The days of product development divorced from attention to process are gone. These days, in fact, the traditional product-process relationship is often reversed. The best Japanese manufacturers, for example, concentrate on perfecting manufacturing processes. Once these are as good as possible, the companies design products that are compatible with the process advantages. Providing flexibility is built into the processes. The Japanese know how they can deliver the "mostest" because products have been designed with manufacturing capability in mind. This approach goes beyond the concept of "design for manufacturability." Its aim is to design to exploit manufacturing strength.

Linking manufacturing to changing market needs also calls for building bridges between plant personnel and customer personnel. Effective marketing requires closer ties between sellers and buyers, between marketing people and customers, between engineering and customers, and even between production people and customers. At Chaparral Steel, every production worker — indeed, everyone in the company—is part of the sales force.

Another thing U.S. firms are finding is that they must do a better job understanding how the market perceives quality. To illustrate: Japanese semiconductor manufacturing equipment generally requires less set-up time and breaks down less often than American-made equipment. By contrast, U.S. machines can perform a broader array of tsks. Both Japanese and American machines meet high quality standards in their own terms. The problem is most buyers seem to value speed and reliability more than flexibility.

The foregoing points add up to one central fact: Without the right manufacturing system, firms cannot be serious contenders in today's fast-moving marketing environment.

10. Building a Culture for Improvement

Internalizing the commitment to manufacturing excellence—making it a permanent part of the day-to-day life of the firm from top management to the shop floor—cannot be done on command. Rhetoric alone won't change the attitudes of veteran U.S. workers toward their work or their workmates and supervisors.

New attitudes need new institutions to sustain them. For U.S. firms on the leading edge of advanced manufacturing technology, these new institutions take varying forms. Some are tangible, *e.g.*, blended work responsibilities on the shop-floor, reduced managerial hierarchy, and measurement and reward systems that reflect long-term competitiveness objectives. Some, like the values embodied in corporate culture, are less tangible.

Corporate Culture. In all organizations, shared values, objectives and expectations are a precondition of quick and concerted action. In a modern corporation, these qualities are partly a function of concrete institutions, *e.g.*, measurement and reward systems. They are also an outgrowth of the CEO's personal style and example. In either case, the CEO's role is critical. He must believe, and he must make everyone else in the corporation believe, that the factory is a key *competitive* resource—not a black box, not a set of buildings and machines whose only requirement is that they be kept running smoothly. Similarly, he must believe and make others believe that labor is a resource for problem-solving and a key to increased productivity through continuous learning.

"Increasingly, competitive success depends on shortening the time it takes to convert a laboratory idea to a product...then on ensuring that delivery is quick, on time and exactly according to specs."

Belief, however, is unlikely to spring from rhetoric alone. In practice, this means that the corporate fast track has to be rerouted through operations. Manufacturing must be represented in the highest echelons of corporate decision-making. Moreover, this new status must be reflected in salary scales and in more symbolic ways—in perks, in lines and boxes on the organization flow chart, in office geography. Even when people read between the lines, the message has to be that manufacturing is important.

Measurement and Reward Systems. Measurement systems define success in every sphere of corporate activity. The right measurements, reinforced by the right rewards, make the commitment to excellence credible.

Good measurement means, first and foremost, measuring the right things. Some American managers have had a tendency to measure the wrong things, to assess the performance of their companies in operational rather than strategic terms. The ultimate measure of success, however, is the firm's performance in the dog-eat-dog world of global competition.

An implication of this assertion is that bottom-line success measures—quarterly profits, stock values, price/earnings ratios—must become less dominant. Toyota's precept is "Win first. Profit later." Profiting later may be easier in Japan than it is here because Japanese firms are less dependent on equity markets and their capital costs are lower. But the point of the precept applies everywhere. If competitiveness is the goal, market share must be factored into the bottom line.

Good measurement is also critical at the operational level. Effective cost-cutting, for example, depends on knowing how costs accumulate in the value-added chain. Conventional accounting systems tend to report operating costs without getting at underlying cost drivers, matters such as product design and product line breadth, process technology, plant scale and sourcing policies.

In a similar vein, conventional applications of investment-return and discounted-cash-flow analysis may fail to capture important benefits (and costs) of investments in advanced manufacturing technology, *e.g.*, longer equipment life, higher product quality, preparation for the next advance in production technology and increased "factory learning." Manufacturing excellence may require new measures, or new applications of old measures, especially in the areas of cost accounting and financial analysis.

On the shop floor as well, new performance measures, *e.g.*, measures of individual learning and measures of work-team performance, reinforced by appropriate rewards, are essential to making "commitment to manufacturing excellence" more than a catch phrase.

- Sherwin-Williams gave employees at one of its automotive paint plants a wage increase for each new skill learned. A year after the program started, 95 percent of the work force had developed new skills.

The point here is not only to create a foundation for teamwork, but to foster continuous learning—almost paradoxic-

ally, to bring manufacturing back to an idea of individual craftsmanship that prevailed in a simpler age.

- Huge and Anderson suggest four ways to institutionalize continuous learning: Make learning objectives part of each worker's performance appraisal; train in-house experts to design and deliver courses; designate on employee involvement teams, experts in particular processes to educate other members of the team; and pay workers for the mastery of additional skills. Firms must also train workers to operate successfully in teams and give them the technical preparation necessary for effective problem solving.

Organizational Changes That Foster Teamwork. For many U.S. companies, a first step toward creating scope for teamwork has been an effort to break down narrow and rigid work rules, thereby giving people the opportunity and the skills to help each other.

In many firms, as noted earlier, scope for teamwork also means giving individual production workers greater control of the production process, and greater responsibility for process improvement, quality control and even customer service. It means a blurring of traditional divisions between workers and supervisors.

It can also mean blurring the line between staff and line responsibilities. In the most advanced Japanese and U.S. manufacturing plants, for example, teams of process and product designers put their ideas into practice on the shop floor, becoming production workers until these ideas are "debugged," up and running.

At Xerox, Ford, Kodak, and Hewlett-Packard, teams of people from production, engineering, marketing and design work together from the point that a new product is conceived until the product gets to market.

"The point is...to foster continuous learning, almost paradoxically, to bring manufacturing back to an idea of individual craftsmanship that prevailed in a simpler age."

In sum, on a scale of 1 to 10, world-class manufacturers score a 10. That's where American companies should be. We're part way there. I've suggested that attaining manufacturing excellence requires work in 10 different areas. The most competitive U.S. companies seem to make progress on all counts. It all seems to fit. The way you get to 10 is by tackling the 10 challenges on the checklist.

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THE WHITE HOUSE

WASHINGTON

February 13, 1989
KBK

MEMORANDUM

REVISED

TO: Steve Studdert

FROM: JOSEPH W. HAGIN

SUBJECT: APPROVED PRESIDENTIAL ACTIVITY

EVENT: Address National Association of Manufacturers Luncheon

DATE: March 23, 1989

TIME: ~~12:00 p.m.~~ 12:30 p.m.

DURATION: 90 Minutes

LOCATION: Mayflower Hotel

ATTIRE: Business Suit

REMARKS REQUIRED: Yes

MEDIA COVERAGE: Open

FIRST LADY PARTICIPATION: No

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of Manufacturers

ALEXANDER B. TROWBRIDGE
President

January 26, 1989

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

As the enclosed copy of my November 15th letter to you indicates, we are extraordinarily pleased by your assumption of the nation's highest office, and can only add commendations on the way you have structured your Cabinet and launched your administration with last week's excellent inaugural address.

We requested in the attached letter that you plan to again join us for the NAM Congress of American Industry, and we very much hope that your calendar has been noted for a luncheon speech to our meeting on Thursday, March 23rd, at the Mayflower Hotel. As the attached copy of Mr. Irastorza's letter indicates, long range planning has only recently been possible, but do hope that we can honor you on that day when probably 800-1000 of our nation's manufacturers will be represented. It would be an excellent forum to discuss our mutual hopes and plans to enhance America's competitive capabilities in the global marketplace, both by public policy decisions and private sector initiatives.

You have honored us in the past by joining our annual meeting, and I hope very much that we can welcome you again on March 23rd.

Sincerely,

Sandy Trowbridge

1331 Pennsylvania Ave., NW
Suite 1500 - North Lobby
Washington, D.C. 20004-1703
(202) 637-3012

JAN 3 1989

OFFICE OF THE VICE PRESIDENT

WASHINGTON

December 28, 1988

Mr. Alexander B. Trowbridge
National Association of Manufacturers
Suite 1500, North Lobby
1331 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-1703

Dear Mr. Trowbridge:

Thank you for inviting the Vice President to speak at the National Association of Manufacturers' annual meeting on March 23.

Due to the changes that will be taking place, at this time we are not free to consider commitments beyond January 20, 1989. We also suggest that you renew your invitation closer to the date of the event.

This office is holding your letter and will pass it on to the appropriate scheduler at the time of transition.

Thank you for your interest.

Sincerely,

Hector F. Irastorza, Jr.
Deputy Assistant to the Vice President
for Scheduling

National Association
of Manufacturers

ALEXANDER B. TROWBRIDGE
President

November 15, 1988

Honorable George Bush
Vice President of the
United States
The White House
Washington, D.C. 20500

Dear Mr. Vice President:

I suppose I should begin this with "Dear Mr. President-Elect", as one main purpose of this letter is to add my voice, and Ellie's, to the millions who have communicated, in one way or another, their congratulations to you and Barbara on the great victory of last week. Your campaign was superbly structured and your strategy clearly that of a winner, and we are all the better off as a result.

Another principal purpose is to ask you to put Thursday, March 23rd, on your calendar for a speech to NAM's annual gathering "The Congress of American Industry". We plan to emphasize "The New Leadership Summit" as our theme, bringing in your top people along with Congressional and business leaders for a 1½ day review of the priority issues in 1989. Dick Heckert, our NAM Board Chairman as well as DuPont's, would introduce you at a time which best fits your schedule between 12 and 2:00 p.m. at the Mayflower Hotel here in Washington.

You were great to address our meetings in the past, and we certainly hope to be honored by your participation next March 23rd.

I realize it is early to begin planning your 1989 calendar, but we hope the date is clear and that you can give us an indication as soon as possible.

With repeated best wishes and congratulations.

Sincerely,

Sandy

1331 Pennsylvania Ave. NW
Suite 1500 - North Lobby
Washington, D.C. 20004-1703
(202)637-3012

NAM — WHO & WHAT

6-700 people

possible:

Nicki Grady
Russell Train
Bill? Ruckelshaus
Liz Dole?
Barbara Mikulski
Morbacher

[Rich Rahart (CEO, Aupont) presiding over luncheon

Scheduling — Susan @ Labor

Dole speaks (in front)
Quayle speaks

Jacqueline Sutherland the Fox writer

parental, CC, ~~mandbear~~, min. wage

Dole
Mikulski
Morbacher

Speaking to sessions before lunch.
THEME: "New workers, New demands: The Benefits Boom"

[70% small manufacturers
≤ 500

'l Ass'n of Juvenile Correctional Agencies
Albin Road, Bow NH 03301-2005
Exec. Secy.-Treas.: John J. Sheridan
Members: 300 Staff: 1
Annual Budget: under $10,000 Tel: (603) 224-9749
Hist. Note: An affiliate of the American Correctional Ass'n. Founded as the National Ass'n of Training Schools and Juvenile Agencies, it assumed its present name in 1981. Merged with the Ass'n of State Juvenile Justice Administrators in 1984. Members are executives and staff members of residential centers and agencies for the care and treatment of adjudicated deliquent youth. Membership: $15/yr. (individual); $50/yr. (organization).
Publication:
Proceedings. a.
Annual Meetings: August, with the American Correctional Ass'n
1989-Baltimore, MD
1990-Seattle, WA

'l Ass'n of Laboratory Suppliers (1977)
Hist. Note: Inactive in 1987.
Publication:
NALS News. q. adv.

'l Ass'n of Latino Elected and Appointed icials (1975)
W G St., S.E., Washington DC 20003
Exec. Director: Dr. Harry Pachon
Members: 3,360 Staff: 16
Annual Budget: $500-1,000,000 Tel: (202) 546-2536
Hist. Note: NALEO is a non-partisan civic affairs research organization which work to initiate public policies responsive to the Hispanic community and to inform that community of issue affecting them. While membership includes state representatives, mayors, and members of Congress, it is open to all who support its objectives. Membership: $25/yr. (individual), $1,500/yr. (organization/company).
Publications:
Citizenship Newsletter. q.
NALEO National Report. q.
National Directory of Citizenship Services. bi-a.
National Roster of Hispanic Elected Officials. a.
Audit of Federal Contracting with Hispanic Firms. a.
NALEO Green Sheet. bi-m.
Annual Meetings: Spring
1989-Albuquerque, NM/June

'l Ass'n of Law Firm Marketing inistrators (1985)
Revere Drive, Suite 500, Northbrook IL 60062
Administrative Manager: Laura Boyd Lapp
Members: 350 individuals Staff: 2
Annual Budget: $100-250,000 Tel: (312) 480-9641
Hist. Note: NALFMA is a professional organization devoted to serving the needs of those actively engaged in developing and implementing marketing programs for law firms. Presidential term begins in April.
Publication:
The Law Marketing Exchange. m.
Semi-annual Meetings: Annual National Conference & Business Meeting and Annual Educational Conference
1989-Philadelphia, PA(Sheraton Society Hill)/April 12-15

'l Ass'n of Lawn and Garden Manufacturers
Hist. Note: Ceased operations in 1985.

'l Ass'n of Leagues, Umpires and Scorers
)
1420, Wichita KS 67201
neral Manager: Steve Shaad
mbers: 9,000-10,000 Staff: 1
nual Budget: under $10,000 Tel: (316) 267-7333
t. Note: Affiliated with Nat'l Baseball Congress.
blication:
Official Playing And Scoring Rules For Baseball. a.
nual Meetings: Wichita, KS/August

'l Ass'n of Learning Lab Directors (1965)
t. Note: Became the Internat'l Ass'n for Learning Laboratories in 1982.

'l Ass'n of Legal Assistants (1975)
01 South Main St., Suite 300, Tulsa OK 74119
ec. Director: Marge Dover
mbers: 2,500 Staff: 2-5
nual Budget: $250-500,000 Tel: (918) 587-6828
t. Note: Members are professional legal assistants. Awards the Certified Legal Assistant (CLA) designation.
blication:
Facts and Findings. bi.-m.
nual Meetings: July
1989-Honolulu, HI(Hawaiian Regent)/June

'l Ass'n of Legal Investigators (1967)
outh 29th St., Belleville IL 62223
LI Comptroller: Anthony M. Golec
mbers: 500
nual Budget: $50-100,000 Tel: (618) 235-2830
t. Note: NALI conducts a certification program for the legal nvestigator profession. Membership: $80/yr.
Publication:
The Legal Investigator. q. adv.
Annual Meetings: June-July
1989-Philadelphia, PA/July
1990-Jackson Hole, WY/June

Nat'l Ass'n of Legal Secretaries (Int'l) (1929)
2250 East 73rd, Suite 550, Tulsa OK 74136
Exec. Director: Judi A. Kruse
Members: 17,000 Staff: 6-10
Annual Budget: $500-1,000,000 Tel: (918) 493-3540
Hist. Note: Has certification program leading to designation as a Professional Legal Secretary (PLS). Established as the California Association of Legal Secretaries, it became Legal Secretaries, Inc. in 1940 and assumed its present name in 1950.
Publication:
The NALS Docket. bi-m. adv.
Annual Meetings: Summer/1,000
1989-Birmingham, AL(Wynfrey Hotel)/July 15-20
1990-Philadelphia, PA(Adam's Mark Hotel)/July 21-26
1991-Chicago, IL(Marriott Downtown)/July 27- Aug. 1

Nat'l Ass'n of Letter Carriers of the United States of America (1889)
100 Indiana Ave., N. W., Washington DC 20001
President: Vincent R. Sombrotto
Members: 300,000 Staff: 160
Annual Budget: over $5,000,000 Tel: (202) 393-4695
Hist. Note: Organized in Milwaukee, Wisconsin August 30, 1889 and chartered by the American Federation of Labor in 1917. Has a budget of about $12 million. Sponsors and supports the Committee on Letter Carriers Political Education. Membership: $72/yr.
Publications:
NALC Bulletin. w.
The Postal Record. m.
The Activist. q.
Postmark Washington. q.
The Retiree. q.
Biennial Meetings: Even years
1988-Portland, OR
1990-New Orleans, LA

Nat'l Ass'n of Life Companies (1955)
1455 Pennsylvania Ave., N.W., Suite 1250, Washington DC 20004
President: S. Roy Woodall, Jr.
Members: 600 companies Staff: 5
Annual Budget: $250-500,000 Tel: (202) 783-6252
Hist. Note: Small life and health insurance companies. Formerly Nat'l Institute of Life Insurers. Sponsors and supports the National Association of Life Companies Political Action Committee.
Publication:
Newsletter. m.
Semi-annual Meetings: Summer and Fall/250-300

Nat'l Ass'n of Life Underwriters (1890)
1922 F St., N.W., Washington DC 20006
Exec. V. President: Jack E. Bobo
Members: 130-135,000 Staff: 80-100
Annual Budget: over $5,000,000 Tel: (202) 331-6000
Hist. Note: A federation of 950-1,000 state and local ass'ns of career life insurance underwriters, NALU is a professional organization of life insurance agents, general agents and managers. Has an annual budget of $10 million. Supports the Life Underwriters Political Action Committee (LUPAC). Membership: $40/per capita.
Publications:
Life Association News. m. adv.
Wheelhorse Newsletter. m.
Annual Meetings: September/3-4000
1988-Dallas, TX(Anatole)/Sept. 25-29
1989-Boston, MA/Sept. 17-21
1990-Nashville, TN/Sept. 9-13

Nat'l Ass'n of Lighting Representatives (1980)
P.O. Box 214, Sea Girt NJ 08750
Exec. Director: Paul E. Saunders
Members: 600 Staff: 2
Annual Budget: $25-50,000 Tel: (201) 528-8118
Hist. Note: Individuals who sell residential lighting fixtures and accessories, and their manufacturers and/or importers.
Publications:
Lantern. m.
NALR Profile Directory. a.
Semi-annual Meetings: Home Lighting Show in March and Lighting Fair in July
1989-Atlantic City, NJ/March and Dallas, TX/July

Nat'l Ass'n of Limited Edition Dealers (1975)
26 S. La Grange Road, La Grange IL 60525
Exec. Director: Ray Kiefer
Members: 275 companies Staff: 1
Annual Budget: $100-250,000 Tel: (312) 482-3650
Hist. Note: Members are dealers, vendors, and publishers involved with collectibles and gifts. Membership: $100/yr.
Publications:
Bulletin. q.
Newsletter. m.
Journal. semi-a.
Annual Meetings: July
1988-South Bend, IN

Nat'l Ass'n of Litho Clubs (1946)
Box 1258, Clifton NJ 07012
Exec. V. President: Philip W. Battaglia, CAE
Members: 4,000 Staff: 3
Annual Budget: $100-250,000 Tel: (201) 777-6727
Hist. Note: Members are supervisory personnel in lithographic plants.
Publication:
Litho Tips. q. adv.
Annual Meetings: June
1988-Minnesota(Breezy Point Resort)/June 22-26/400
1989-Baltimore, MD/June 21-25/425

Nat'l Ass'n of Lithographic Plate Manufacturers (1966)
1730 N. Lynn St., Arlington VA 22209
Exec. V. President: William Teare
Members: 16-20 companies Staff: 2-5
Annual Budget: under $10,000 Tel: (703) 841-8100
Hist. Note: Formerly (1975) the Nat'l Ass'n of Grained Plate Manufacturers. A special industry group of Printing Industries of America.

Nat'l Ass'n of Mail Service Pharmacies (1975)
2300 Ninth St. South, Suite 210, Arlington VA 22204
Exec. V. President: Delbert D. Konnor
Members: 9 companies Staff: 2
Annual Budget: $10-25,000 Tel: (703) 920-8480
Hist. Note: NAMSP represents mail service pharmacy companies. Informs the public about obtaining maximum health benefits and prescription services through mail and delivery services. Advocates the interests of mail service pharmacies with respect to legislation and adminstrative regulation.
Annual Meetings: Late fall

Nat'l Ass'n of Management and Technical Assistance Centers (1976)
733 15th St., N.W. Suite 917, Washington DC 20005
Executive Secretary: Harold Williams
Members: 110 centers Staff: 1
Annual Budget: $50-100,000 Tel: (202) 347-6740
Hist. Note: NAMTAC is an association of leading universities across the country that share a mutual objective of economic growth through university- related assistance. This broad definition ranges from high technology transfer programs to small business assistance centers and enteprenurial institutes. The primary goal of NAMTAC is to strengthen these initiatives through organized mutual support. Membership: $250/yr.
Publication:
NAMTAC Newsletter. m.
Annual Meetings: Usually in Washington, DC/October

Nat'l Ass'n of Management/Marketing Educators (1968)
Hist. Note: Organization disbanded in 1988.

Nat'l Ass'n of Manufacturers (1895)
1331 Pennsylvania Ave., N.W., Suite 1500 North, Washington DC 20004
President: Alexander B. Trowbridge
Members: 13,500 Staff: 180
Annual Budget: over $5,000,000 Tel: (202) 637-3000
Hist. Note: Established in Cincinnati in 1895 to promote America's economic growth and productivity, particularly in the manufacturing sector. Headquartered in Washington, DC with four field divisions, NAM's member companies produce more than 80% of the nation's manufactured goods. NAM is affiliated with 130 state and local business associations through its National Industrial Council, and with 131 manufacturing trade associations through its Association Council. NAM also supports CUE, an organization for positive employee relations. Has an annual budget of $13,000,000.
Publications:
PAC Manager. m.
Briefing. w.
Issue Briefs. irreg.
Congressional Directory. a.
Annual Meetings:
1989-Washington, DC(Mayflower)/ March 22-23

Nat'l Ass'n of Manufacturing Opticians (1975)
P.O. Box 866428, Plano TX 75086-6428
Exec. V. President: William J. Flannery, III
Members: 35 companies Staff: 2
Annual Budget: $50-100,000 Tel: (214) 484-8128
Hist. Note: Membership is comprised of individuals and businesses engaged in the manufacture and production of prescription eyewear or related opthalmic goods and services; members must possess the ability to "full service" fabricate eyewear.
Semi-annual Meetings: Winter and Summer

Nat'l Ass'n of Margarine Manufacturers (1920)
1101 15th St., N.W., Suite 202, Washington DC 20005
Exec. Director: Charles Ehrhart
Members: 15-20 companies Staff: 2-5
Tel: (202) 785-3232
Annual Meetings: March

Nat'l Ass'n of Marine Products and Services (1972)
401 North Michigan Ave., Chicago IL 60611
President: Jeff W. Napier

The information in this directory is available in *Mailing List* form. See back insert.

Briefing

Volume XIV
Number 4
February 27, 1989

A Weekly Summary
of Legislative and
Regulatory Developments

National Association
of Manufacturers
Washington, D.C.

★★★★ NAM Congress of American Industry To Feature President George Bush ★★★★

NAM is proud to announce that President George Bush will address the 93rd Congress of American Industry on Thursday, March 23. The association's "New Leadership Summit" will also feature presentations by Vice President Dan Quayle,



Chrysler Corporation Chairman Lee A. Iacocca and a host of other leaders from the administration, Congress and the private sector. The Congress of American Industry will be held March 22-23 at the Mayflower Hotel in Washington, D.C.

Register Today!

Call Betty Williams at (202) 637-3022

Corporations Face Billions of Dollars In Retiree Health Care Liabilities

U.S. corporations face a cumulative total of $400 billion or more in unfunded retiree health care liabilities, according to the federal government. Accounting for these liabilities could have a devastating impact on the earnings statements of many companies. These concerns were amplified 2/14, when the Financial Accounting Standards Board (FASB) issued a long-awaited proposal that would require companies to record unfunded retiree health benefit obligations as liabilities on corporate balance sheets. The proposal is slated to take effect in 1992.

Since retiree health benefits are not currently tax-deductible, most employers do not prefund in anticipation of these liabilities. They instead account for the benefits on a pay-as-you-go (cash) basis. The FASB proposal would require firms to account for future retiree health liabilities in their financial statements.

Retiree medical expenses constitute a growing burden for employers, both because of health care inflation and demographic factors. An A. Foster Higgins & Co. study of 1,600 employers covering 10.5 million workers showed health care costs rose 18.6 percent last year, over three times the rate of inflation. In terms of demographics, studies show that the current three-to-one ratio of workers to retirees at the average U.S. company will drop to two-to-one by the year 2000. Planning for retiree health expenses is further plagued by unpredictability. Whereas pension benefits can be defined in advance, health costs can deviate radically from projections as the use of benefits fluctuates and new technologies and treatments are introduced.

FASB began work on the proposal nearly a decade ago and kept the business community abreast of its plans in general terms by releasing discussion drafts. The board will accept comments through 8/14/89 and will conduct hearings in New York and Washington in October and November. NAM is examining the proposal and will submit comments later this year.

The FASB proposal is likely to focus increased congressional and press attention on legislative proposals dealing with the funding of retiree medical benefits. Rep. Rod Chandler (R-WA-8) intends to offer legislation designed to provide employers with tax incentives to prefund retiree health insurance. Rep. Richard Schulze (R-PA-5) is expected to offer an alternative proposal on the issue in the coming weeks.

NAM recognizes the responsibility that employers share—with Social Security and personal savings—in providing workers with adequate retirement security. The association encourages the adoption of legislation that

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3 RICO Reform Legislation Introduced
4 Waste Minimization Success Stories

would facilitate prefunding of retiree health benefits on a tax-favored basis, including tax-deductible employer contributions and the voluntary use of surplus pension assets.

NAM-Opposed Foreign Investment Bill Headed for House Floor

Floor action is possible as early as this week on NAM-opposed foreign investment disclosure bill H.R. 5, despite the fact the measure has not been reviewed by a House committee.

House Speaker Jim Wright (D-TX-12) planned to discharge H.R. 5—sponsored by Rep. John Bryant (D-TX-5)—from the House Energy and Commerce Committee and bring the bill to the floor for a vote last week. The speaker postponed the vote until at least this week in the face of strong opposition from the business community, the Bush administration and members of both parties.

NAM and four other business groups 2/14 sent a letter to House members arguing that H.R. 5 remains controversial and deserves the benefit of proper committee review. "In bypassing the committee process, substantive input from industry is essentially precluded," the letter noted.

The business groups' letter called H.R. 5's provision that would allow broad public access to foreign investors' financial data "counterproductive." "Companies cooperate with the U.S. government because they believe the government will protect the confidentiality of their proprietary information," the letter cautioned. "The disclosure provision is discriminatory and could block constructive investments and joint ventures between the U.S. and foreign-owned enterprises."

In an impressive show of unity, Treasury Secretary Nicholas Brady and six other cabinet officers sent a letter 2/16 to the House strongly opposing H.R. 5. The measure "constitutes a sharp change in U.S. policy from one of open investment to one of discrimination," the letter argued, and at the very least should be considered through the normal committee channels. All seven cabinet members said they would recommend a veto should H.R. 5 reach the president's desk.

House Ways and Means Subcommittee on Trade Chairman Sam Gibbons (D-FL-7) wrote a strongly worded letter to Speaker Wright protesting premature floor action on H.R. 5. Gibbons noted that the new administration had not been provided an opportunity to address the issue and develop alternative recommendations.

NAM *Briefing* (USPS 432-110) is published weekly during sessions of Congress by the National Association of Manufacturers, 1331 Pennsylvania Avenue, NW, Suite 1500-North Lobby, Washington, DC 20004-1703. Subscriptions: $50 included in NAM membership; nonmembers $200 a year.

Chairman of the Board: Richard E. Heckert
President: Alexander B. Trowbridge
Editor: Douglas R. Kurkul
Assistant Editors: John Cohen, Laura Pettey

Postmasters: Send address changes to *Briefing,* National Association of Manufacturers, 1331 Pennsylvania Avenue, NW, Suite 1500-North Lobby, Washington, DC 20004-1703. Second class postage paid at Washington, DC, and at additional mailing offices.

NAM Welcomes New Commerce Secretary



Photo: Bruce Reedy

Secretary Mosbacher *(left)* talks with Control Data Corporation Chairman, CEO and President Robert M. Price, and Senior Vice President for Government Affairs Lois D. Rice.

Commerce Secretary Robert Mosbacher was welcomed to Washington 2/16 by representatives of some 100 NAM member companies. The new cabinet member expressed his interest in developing a strong working relationship with the business community and reiterated President Bush's commitment to the nation's industrial competitiveness. He also called on the manufacturing community to support the president's budget proposal.

Secretary Mosbacher is one of several cabinet members who will address the NAM Congress of American Industry, March 22-23.

NAM strongly opposes H.R. 5 and attempts to expedite floor action on the bill. Member companies should immediately contact their representatives and urge them to vote against the measure should it reach the floor.

NAM Embraces Global Climate Change Research Bill

NAM favors "an integrated mechanism for research on the science and possible impact of global climate change," Thomas G. Lambrix, director of government relations for Phillips Petroleum, told the Senate Commerce, Science and Transportation Committee on behalf of NAM on 2/22.

Lambrix's testimony addressed legislation—S. 169, the National Global Change Research Act—sponsored by Commerce Committee Chairman Ernest Hollings (D-SC). The bill seeks to further coordinate existing federal global climate change research programs.

Lambrix discussed three "central elements" to NAM's position on global climate change:

- Non-natural global climate change is a potentially serious issue that NAM is taking seriously. Lambrix pledged that manufacturers will continue to work toward a better understanding of global climate change, and will actively participate in the international debate about its causes, effects and possible solutions.
- Good science must be the foundation for policy actions. "Achieving international consensus on what we

know and don't know about enhanced global climate change is essential," Lambrix stressed. NAM supports aggressive research to better define the problem, prove or disprove theories, and analyze the impact of proposed response strategies.

■ Global cooperation is crucial. "Unilateral actions by the U.S., no matter how well intentioned, will not be sufficient and could be harmful to achieving solutions," Lambrix cautioned. "We must be concerned with shocks to our domestic and global economies."

Lambrix warned against a "crisis management approach" to global climate change. Our policy should be to preserve the maximum degree of flexibility, he said. "What we do domestically should compliment the efforts of the international community."

An expanded and coordinated domestic research agenda, such as outlined in S. 169, could serve as the basis from which to proceed in the future, Lambrix said. However, he explained, industry cannot be expected to make significant long-term commitments based on current incomplete and conflicting data. "We cannot afford to place the competitiveness of our manufacturing sector in jeopardy based on any speculative theory."

"Any solutions to this global issue should be global in nature," Lambrix concluded. Therefore, he advised, unilateral actions would likely be insufficient and damaging to U.S. competitiveness. Lawmakers should only focus on multilateral solutions and a careful study of the cost and environmental impact of all proposed response strategies.

RICO Reform Bills Introduced in House and Senate

With a groundswell of bipartisan support from the business and labor communities, comprehensive proposals to reform federal racketeering law were introduced in both the House and Senate 2/22. Sens. Dennis DeConcini (D-AZ) and Orrin Hatch (R-UT) introduced S. 438, and Reps. Rick Boucher (D-VA-9) and George Gekas (R-PA-17) introduced H.R. 1046, legislation to revamp the Racketeer Influenced and Corrupt Organizations Act (RICO).

The 1970 RICO statute was enacted to stem organized crime infiltration into legitimate businesses. The statute includes a civil provision allowing individuals and local, state and federal governments that have been harmed by racketeering activity to sue companies and collect triple-damage awards. In recent years, the RICO civil statute has been abused by private plaintiffs who attach RICO claims to a broad range of ordinary business suits. An American Bar Association report indicated that only 9 percent of the 260 federal civil RICO trial court decisions reported from 1980 to 1984 involved allegations of criminal activity normally associated with racketeering.

The new RICO reform proposals would effectively limit the ability of individuals or competing firms to extort expensive triple damage awards from ordinary business disputes. Plaintiffs could continue to sue for triple damages if the defendant had been previously convicted of a RICO offense. Certain government officials also still could sue for triple damages. Additionally, the legislation would allow actual damages, court costs and attorney fees to be awarded to specialized units of local governments, plaintiffs injured because of insider-trading violations and consumers who were victims of fraud.

An NAM-led coalition of business and labor groups worked on behalf of a RICO reform bill in the last Congress. The measure would have allowed plaintiffs to collect triple damages only when a defendant had been convicted of a criminal racketeering offense. While a compromise proposal emerged from the Senate Judiciary Committee, it failed to reach the Senate floor for a final vote.

With the consensus for RICO reform clearly established, NAM is again leading a coalition pushing for reform legislation in the 101st Congress. NAM is urging association members to strongly back S. 438 and H.R. 1046.



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Suite 1500 - North Lobby
Washington, D.C. 20004-1703

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NAM Members Share Waste Minimization Success Stories

With Congress likely to consider a variety of potentially costly hazardous waste management proposals in the coming months, NAM is promoting the voluntary reduction of hazardous waste generation as the optimal control strategy. A panel of public and private sector waste management experts shared waste minimization success stories with reporters 2/16 at an NAM press breakfast.

The session featured representatives from two NAM-member companies that are leading the way in waste minimization breakthroughs: Robert P. Bringer, staff vice president, 3M Environmental Engineering and Pollution Control; and Harry Fatkin, Polaroid director of health, safety and environmental affairs. Also joining the discussion were Gerry Kotas of the Environmental Protection Agency (EPA), and Dr. Richard Siegel and Robert Rittmeyer of ENSR Consulting and Engineering (formally ERT).

Robert Bringer said 3M's Pollution Prevention Pays (3P) program is now in its 14th year. "We're seeking out projects...that not only prevent pollution and help the environment, but also that have a payback," Bringer explained. He said 3P programs have provided a cumulative total of $420 million in first-year savings alone. Currently, 3M has some 2,000 waste reduction projects under way in the U.S. and overseas.

Polaroid's program strives to reduce the quantity generated of all types of waste—both hazardous and non-hazardous—Harry Fatkin explained. The program, designed to be implemented over the next five to 10 years, is a long-term approach to voluntary waste minimization. Polaroid has sought input from a broad spectrum of groups, including environmentalists, to establish the most effective waste management strategies possible.

EPA's Gerry Kotas applauded industry's voluntary waste minimization initiatives. He said one of the agency's goals is "to integrate a pollution prevention approach into regulation." Kotas called for a "public and private sector shift in emphasis" in waste management strategies toward waste minimization.

NAM, in conjunction with ENSR, has published a "how-to" guidebook examining proven strategies for minimizing the generation of hazardous waste at the plant level. Entitled "Waste Minimization: Manufacturers' Strategies for Success," the publication is designed for small to medium size companies interested in establishing voluntary waste minimization programs.

To order, send $19.95 ($29.95 for nonmembers) to NAM Publications Coordinator, 1331 Pennsylvania Ave. NW, Suite 1500-North Lobby, Washington, D.C. 20004. Quantity discounts are also available.

Senate To Consider Further Restrictions On Pension Asset Reversions

Legislation ostensibly designed to ensure that employees and retirees receive a "fair share" of excess pension plan assets will be introduced next month, Sen. Howard Metzenbaum (D-OH) told the Senate Subcommittee on Labor at a 2/9 hearing on the treatment of surplus pension funds. Organized labor, senior citizen activist groups and some members of Congress claim that defined benefit pension plan assets represent "deferred wages" and therefore should belong to workers and retirees. Often, what is not clarified in this debate is the fact that employers have promised employees a specific benefit and have assumed all of the investment risks when funding that benefit. Accordingly, current law rightfully holds that once benefit obligations are satisfied, the employer can recoup any excess.

In an attempt to discourage pension reversions and raise revenue, the 1988 tax technical corrections law permanently increased the excise tax on pension asset reversions from 10 to 15 percent, in lieu of a Metzenbaum proposal for a temporary 60 percent increase. At the same time, the Treasury Department agreed to withhold final determinations on pension plan reversions and terminations through 5/1/89. At the hearing, Metzenbaum, chairman of the Senate Labor Subcommittee, said he intends to have his reversion legislation passed by the 5/1 deadline.

NAM plans to submit a statement to the panel strongly opposing any limits on employer access to surplus pension funds. The association will emphasize that limiting employer access to surplus assets would jeopardize worker retirement security by encouraging employers to fund plans at the minimum allowable levels or discourage them from offering plans at all. If excess assets are deemed to belong to someone other than the employer-sponsor, it would amount to the government mandating higher pension benefits than originally promised to employees.

The number of pension reversions has decreased significantly during the past three years, due in part to the 10 percent excise tax enacted in the Tax Reform Act of 1986. According to the Pension Benefit Guaranty

PRODUCT LIABILITY REFORM "FLY-IN"

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**This event precedes NAM's Congress of American Industry by one day.*

Corporation, the number of reversions dropped from 581 in 1985 to 166 in 1988. Given this trend, there is no overwhelming need to further restrict reversions.

New Process Patent Provisions Take Effect

Title IX of last year's omnibus trade act took effect last week. The law includes a sweeping process patents title, which now makes it an act of infringement to import into this country—or to use or sell in the U.S.—a product made through the unauthorized use of a U.S. patented process.

The law provides existing patent holders with new rights to exclude others from using, selling or importing into the U.S. products made with the patented process. Many NAM members will also incur new responsibilities. If a material or its precursor is made by a patented process, the importation, use or sale of that material can expose a firm to costly litigation. Infringers can now be held liable for damages in U.S. District Court, a previously unavailable remedy. The provisions are governed by complex disclosure and response procedures, marking requirements and specific exceptions.

NAM urges its members to familiarize themselves with their new rights and responsibilities. The association has produced a publication, HOW: Working with the New Process Patent Law, *which can be purchased for $19.95 per copy ($29.95 each for nonmembers). Orders can be mailed to Publications Coordinator, NAM, 1331 Pennsylvania Ave. NW, Suite 1500-N, Washington, D.C. 20004-1703. For information on quantity discounts, call (202) 637-3158.*

Stage Still Being Set For Clean Air Debate

Though President Bush has emphasized the need to take action on clean air, his administration is still drafting a proposal spelling out his positions on specific issues. The president's clean air blueprint—once it is delivered to Capitol Hill—will likely trigger this year's debate.

In his first appearance before a joint session of Congress 2/9, the president said he would soon submit an acid rain proposal with "time certain" reductions in sulfur dioxide (SO_2) emissions. President Bush's pick for Environmental Protection Agency (EPA) administrator, William Reilly, said during Senate confirmation hearings that clean air legislation was a top priority and that he would do everything possible to deliver a draft clean air package to Congress "ahead of everything else."

EPA is reportedly in the process of drafting acid rain proposals that would combine mandated scrubbers at some coal-fired power plants, subsidies for scrubbers and clean coal technologies, and flexibility to choose the method of compliance. An EPA proposal is not expected to reach lawmakers until the spring.

The Senate's leading advocate for a clean air law rewrite—Majority Leader George Mitchell (D-ME)—is now in a position to guarantee a floor date for a clean air bill. Former Majority Leader Robert Byrd (D-WV) helped block floor consideration of a Mitchell clean air bill—S. 1894—in the 100th Congress.

Sen. Max Baucus (D-MT)—who has replaced Mitchell as chairman of the Environment Committee's subpanel with jurisdiction over clean air legislation—is reportedly considering whether or not to use S. 1894 as a starting point for this year's debate. The Mitchell bill contains provisions regulating acid rain, ozone and air toxics.

The House clean air debate is likely to focus on areas that are not in compliance with the federal ozone standard established by the Clean Air Act. A moratorium on EPA sanctions against these nonattainment areas expired 8/31/88 and was not renewed by the 100th Congress. The House Energy and Commerce Committee will likely consider legislative solutions to the nonattainment problem in lieu of EPA sanctions. A group of nine Democrats has reintroduced a moderate nonattainment proposal, H.R. 99, but the measure has been assailed by environmentalists as too lenient.

NAM believes the existing Clean Air Act is working, and supports the development of clean coal technologies and a reasonable nonattainment solution. However, the association opposes stringent acid rain controls and arbitrary nonattainment sanctions legislation.

NAM Conference to Recognize American Ingenuity

NAM's Congress of American Industry—March 22-23 in Washington, D.C.—will include the presentation of the Coors American Ingenuity Award. Adolph Coors Company, an NAM member, created the award in 1986 to honor individuals who have forever changed the way business is done in the U.S. This annual award recognizes individuals whose accomplishments are due largely to innovation and perseverance. As a company which recognizes the importance of ingenuity for the future of this country, Adolph Coors Company seeks nominees who have had the courage to bring forth new ideas, but may have done so without widespread recognition, for possible future selection.

SAFESystem
Standardized Accident Frequency and Evaluation System

Safety Recording Enters the Computer Age

NAM is now making available P.C. diskettes that allow companies to track and analyze internal data on accidents and illnesses in the workplace. The diskettes, designed to conform to NAM's SAFE (Standardized Accident Frequency and Evaluation) System, produce a full set of standard and unlimited ad hoc reports that can be used to analyze safety at your plant or company. Join companies like B.F. Goodrich and Pennwalt Corporation. Buy a set today, and plan to participate in the SAFESystem by submitting your data to NAM for comparison with others in your industry.

The diskettes and instruction manual cost $995, plus $50 for each additional order.

For details, call Jeffrey Colburn at (301) 937-1238, or write NAM SAFESystem, 1331 Pennsylvania Ave. NW, Suite 1500-North Lobby, Washington, D.C. 20004.

Pending Issues

Alaska Energy: Senate Energy and Natural Resources Committee Chairman Johnston (D-LA) 2/9 introduced legislation—S. 406—to open Alaska's Artic National Wildlife Refuge (ANWR) to competitive oil and gas leasing. Cosponsored by Ranking Republican Sen. McClure (R-ID), is similar to measure cleared by Energy panel last year on 11-8 vote. Stage set for ANWR debate in House Interior Committee. Both sides have staked out legislative positions: Committee Chairman Udall's (D-AZ-2) bill—H.R. 39—would block all development; Rep. Young's (R-AK-AL) measure calls for limited leasing. NAM supports environmentally safe ANWR development.

Comparable Worth: No action yet on H.R. 41 (Oaker—D-OH-20), bill to require comparable worth study of federal labor force. Referred jointly to Education and Labor Committee and Post Office and Civil Service Committee. NAM opposes.

Deficit Commission: National Economic Commission (NEC) scheduled to issue final budget-cutting recommendations to Congress and the president by 3/1/89 deadline. NAM strongly supports commission's goals.

Family and Medical Leave: House Education and Labor Subcommittee on Labor-Management Relations to mark up H.R. 770 (Clay—D-MO-1) on 2/28. Full committee markup 3/8. Would require employers to provide government-mandated leave benefits. NAM opposes.

Hostile Takeovers/Leveraged Buyouts (LBOs): Four House committees and two Senate panels have held or scheduled hearings on LBO issue. NAM has formed Takeover/LBO Task Force to help formulate proposals that slow takeover-related abuses without hampering free market forces or economic growth.

Minimum Wage: Markup of S. 4 (Kennedy—D-MA) in Senate Labor and Human Resources Committee delayed until 3/8 to allow time for administration to address issue. Bill would raise wage to $4.65 per hour in three stages by 1/1/92. No action yet on H.R. 2 (Hawkins—D-CA-29). NAM opposes.

Product Liability: Legislation yet to be introduced, but proponents working to garner support. NAM sponsoring Product Liability Fly-in on 3/21-22 in conjunction with Congress of American Industry. Program will bring participants up to date on the product liability reform drive and emphasize to lawmakers the critical need to pass federal reform legislation this year. For details, call (202) 637-3136.

R&D Allocation: Tax technical corrections law enacted 11/10/88 increases Section 861 allocation from 50 to 64 percent. Measure is only effective for first four months of taxpayer's first taxable year beginning after 8/1/87. Section 861 regulates allocation of R&D expenses to foreign and domestic-source income. NAM supports enactment of permanent solution to current regulatory inequities.

R&D Tax Credit: R&D tax credit extended at 20 percent level through 1989 in tax technical corrections law enacted 11/10/88. Bush FY 90 budget proposal includes permanent R&D tax credit. NAM strongly supports permanent enactment as an effective way to promote a U.S. commitment to technological competitiveness.

South Africa: Rep. Dellums (D-CA-8) reintroduced sweeping South Africa sanctions legislation—H.R. 21—that is very similar to bill passed by House last August. Bill—referred to same seven committees that reviewed last year's measure—would block flow of virtually all trade and investment between the U.S. and South Africa. Senate measure not yet introduced as sanctions proponents prepare 101st Congress strategy. NAM opposes additional sanctions.

For more information about the issues covered in *Briefing*, contact the NAM Legislative Analysis Department, (202) 637-3187. Each week's *Briefing* is available prior to publication by 3:00 p.m. (ET) the previous Friday on NAMNET — NAM's public policy electronic network.

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Richard E. Heckert

Richard E. Heckert, chairman of the National Association of Manufacturers; chairman and chief executive officer of the Du Pont Company; and chairman of the Board of Trustees of the Carnegie Institution of Washington, is widely recognized as a spokesman on education issues from the employer's perspective.

As chairman of the National Academy of Sciences study on High Schools and the Changing Workplace, Heckert played a leading role in focusing the attention of business leaders on the issue of educational underperformance in the United States and in generating support for remedial action. He has testified on education frequently at Congressional hearings.

Heckert is a member of the National Board for Professional Teaching Standards, the Joint Council on Economic Education, the Delaware Council on Economic Education, the National Action Council for Minorities in Engineering, and the Business Advisory Commission to the Education Commission of the States. He is a director of the University of Illinois Foundation; Dean's Associate of the Business Advisory Council of Miami University, Oxford, Ohio; a member of the Board of Visitors of Berry College; and a trustee of Tuskegee University.

Heckert is also an internationally recognized spokesman on world trade and the competitive position of U.S. industry. A former member by Presidential appointment of the Advisory Committee for Trade Negotiations (1978-1987), he is a member of the Bretton Woods Committee and the Council on Competitiveness. He has brought the perspective of scientist and patented inventor to speeches and papers on the related subjects of education and America's competitive position.

A native of Oxford, Ohio, Heckert graduated from Miami University in Oxford in 1944, with a Bachelor of Arts degree. From 1944-'46 he served in the U.S. Army with a special engineering detachment at the Oak Ridge, Tennessee, atomic energy facility. He received a Master of Arts degree and a Doctor of Philosophy in organic chemistry from the University of Illinois before joining Du Pont in 1949 as a research chemist.

-NAM-

15 March 1989

Dear Ms. Martin:

As I mentioned on the phone, a sound educational system is essential to NAM member companies if they are to have alert, informed, proud and productive employees.

Our efforts to encourage and support such systems are led by NAM Chairman Richard Heckert of Du Pont, whose own impressive credentials to do so are attached.

Please note also two highlighted sections from NAM studies about "continuous learning" and the role of an educated and motivated workforce as a "competitive resource."

Call me at 637-3089 if you have any questions.

DAVID B. BOWES
Vice President
Communications
NAM

David Bowes