



United States Manufacturing Council

16 September 2015

The Honorable Penny Pritzker
Secretary of Commerce
United States Department of Commerce
Washington, DC 20230

Dear Madam Secretary,

The Manufacturing Council (Council) desires to communicate its support for legislation pending before Congress regarding two matters with material impact on the U.S. manufacturing industry: (1) the requirement for investment and continued funding for the federal transportation infrastructure, and (2) establishment of a transparent, objective, predictable, and regularized process for reduction or suspension of duties on imported goods that are not produced in the United States but are necessary inputs to U.S. manufacturing companies. Our support is premised on the ability of the relevant bills to achieve key objectives in establishing and maintaining a globally competitive U.S. manufacturing industrial base.

I. Funding of Federal Transportation Infrastructure

Federal highway and transit programs are integral to the nation's economic growth and global competitiveness. In particular, quality transportation infrastructure – such as airports, ports and waterways, key rail routes, and roads -- is a vital component for a strong national trade and export/import strategy.¹ Current levels of federal transportation spending in the United States contributes nearly 1% to the production of the nation's goods and services, with a projected contribution of over 610,000 jobs per year over a five-year period starting in 2014.²

In particular, surface transport and maritime infrastructures are key to the U.S. manufacturing industrial base. Benefits derived from quality infrastructure include reduction in the effects of distance, better integration of national and regional markets, and logistical networks, all improving access to international markets.³ In addition, numerous studies establish the effect of high transport costs and tariffs in creating trade barriers.

¹ Strategic transport infrastructure needs to 2030, OECD Futures Report 2011, accessed on 3 August 2015 at <http://www.oecd.org/futures/infrastructureto2030/49094448.pdf>.

² Transportation Infrastructure Investment: Macroeconomic and Industry contribution of the Federal highway and mass transit program, HIS Report (December 2014) accessed on 3 August 2015 at <http://www.artba.org/newsline/wp-content/uploads/2014/12/IHS-Study.pdf>.

³ OECD Futures Report, p. 8, Figure 3 (demonstrating direct correlation of countries with high-quality transportation infrastructure with rank in world index for overall competitiveness) and p. 11.

The United States has historically acted in recognition of the critical need for investment in the national transportation infrastructure.⁴ The Council further acknowledges numerous multi-national studies examining the positive competitive impact of robust transportation infrastructure on national economies and exports, including identified best practices.⁵

The longer Congress delays in making the investments necessary for our highways, roads, bridges, and waterways, the more difficult and expensive it will be for our nation to fund this critical and necessary endeavor.

II. Passage of the Miscellaneous Tariff Bill and Establishment of a Transparent and Regularized MTB Process

Miscellaneous Tariff Bills (MTBs) enhance competitiveness – especially for the U.S. manufacturing industry – through the reduction or temporary suspension of tariffs on products essential to U.S. manufacturing but for which there is no domestic production of competing goods.⁶ Additional benefits identified include reduction of inefficiencies in domestic production and concurrent release of capital and labor for more productive uses.⁷

For the past seven decades, nearly every Congress passed legislation enacting MTBs.⁸ The longstanding support for MTBs arose from the understanding that lower import tariffs benefit U.S. companies by: (a) lowering input costs, thereby enhancing the United States' competitiveness in foreign markets; (b) benefiting U.S. manufacturers and consumers through the resulting cost savings being passed on to consumers; and (c) increasing domestic job growth.⁹ The last MTB passed by Congress, which expired at the end of 2012, supported an estimated 90,000 American jobs.¹⁰ According to an analysis conducted by the National Association of Manufacturers (NAM), Congress' failure to pass an MTB since 2009 has resulted in an annual \$748 million tax increase borne by the U.S. manufacturing industry, and a \$1.857 billion economic hit to the U.S. economy.¹¹

The “American Manufacturing Competitiveness Act of 2015” – currently included as an amendment to the Trade Facilitation and Trade Enforcement Act (H.R. 644) and already passed

⁴ *Ibid.*

⁵ *Id.*; also see Tong, T., Yu, T.E., and Roberts, R.K. Dynamics of transport infrastructure, exports and economic growth in the United States, 53 JTRF No. 1 pp. 65-81 (Spring 2014).

⁶ See generally Office of the United States Trade Representative. Miscellaneous Tariff Bills. Retrieved from <https://ustr.gov/issue-areas/industry-manufacturing/industrial-tariffs/miscellaneous-tariff-bills> on 31 August 2015.

⁷ Griswold, D. *The Miscellaneous Tariff Bill: A blueprint for future trade expansion*. Cato Institute Trade Briefing Paper (9 September 2010).

⁸ See Jones, V.C., *Miscellaneous Tariff Bills: Overview and Issues for Congress*, CRS Report RL33867 (16 July 2012).

⁹ *Id.*; see also Murphy, J., *U.S. manufacturers to benefit from miscellaneous tariff bill*, ImportWorks.com (18 July 2013). Retrieved from <http://www.importswork.com/u-s-manufacturers-to-benefit-from-miscellaneous-tariff-bill/> on 31 August 2015.

¹⁰ *Id.*

¹¹ See 13 July 2015 Letter from NAM to Hon. Paul Ryan, Hon. Orrin Hatch, Hon. Sander Levin, and Hon. Wyden supporting establishment of a sustainable MTB enactment process.

by the Senate -- would establish a transparent, objective, predictable, and regularized process by which Congress will consider and enact MTBs. The proposed process addresses concerns regarding whether MTBs are considered earmarks, among other things, by setting up mechanisms by which parties can apply for tariff relief directly to the US International Trade Commission rather than to elected officials but Congress would still retain input in the process.

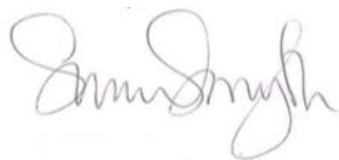
Passage of the MTB and establishment of a sustainable MTB process is a critical pillar in achieving competitiveness in the global market, reducing production and operational inefficiencies, and supporting further job growth in the U.S. manufacturing industrial base.

III. Recommendations

Accordingly, in furtherance of the overarching objective of maintaining the global competitiveness of the U.S. manufacturing industry, the Council strongly supports and recommends that the Department of Commerce, in concert with other federal agencies and stakeholders:

- Support multi-year (preferably at least 6 years) legislation funding and financing national transportation infrastructure;
- Establish a national strategy for transportation infrastructure, that prioritizes connecting waterways and gateway ports to the necessary inland networks and addressing surface transportation needs, specifically roadways and public transportation;
- Explore and implement innovative funding arrangements for strategic transportation infrastructure needs particularly over mid or long-term periods or phases, including encouragement of private sector financing. Such arrangements could include, for example, consideration of increased consumption fees as a long-term, multi-year mechanism to pay for national transportation infrastructure; and,
- Support passage of H.R. 644, including the proposed establishment of a new process for enacting MTBs, and concurrent elimination of distortions in the U.S. tariff code.

Respectfully submitted,



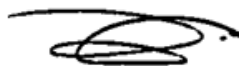
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