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Government policies concern cost-conscious industry

Premium content from Charlotte Business Journal - by Laura Williams-Tracy , Contributing writer

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With 300,000 jobs lost to the Great Recession in North Carolina, manufacturers are looking to grow again. But a myriad of public-policy issues could impede their growth, manufacturers say.

North Carolina is the fifth-largest manufacturing state in the country. Industry comprises 15% of the state's jobs and 20% of its total output.

And while the state has lost much of its base in furniture, tobacco and textiles, manufacturing still provides high-skill and high-wage jobs.

With the country emerging from recession, "the mood is better this year certainly than it has been the last two years," says **Lewis Ebert**, president and chief executive of the N.C. Chamber of Commerce. The organization serves as the state chapter of the National Association of Manufacturers.

While a better economic climate has N.C. manufacturers seeing more opportunities, they face stiff global competition. That drives a need to minimize costs.

"They are trying to put their businesses in the best possible position to compete and build capacity" once the economy fully recovers, Ebert says.

Dan DiMicco, CEO of Charlotte-based steel maker [Nucor Corp.](#), has been a vocal advocate for government to do more to encourage job growth.

Nucor has sponsored a national media campaign to promote stricter enforcement of trade laws, investment in infrastructure and development of domestic energy resources.

"This is the worst economy since the Great Depression. However, the response from our political leaders has fallen far short of what is needed to overcome this crisis," DiMicco wrote recently in an op-ed piece for a trade publication for the metals market.

Indeed, trade is on the minds of more than just steel manufacturers.

For any domestic manufacturer that's not sending work overseas, trade policy is the biggest issue, says **Andy Warlick**, president and CEO of [Parkdale Mills Inc.](#) in Gastonia. The company makes yarn for textile manufacturers.

Parkdale stands to lose if Congress passes the U.S.-South Korea Free Trade Agreement, which is under consideration in Washington. The U.S. International Trade Commission predicts its implementation will increase the foreign trade deficit for manufactured goods by \$308 million to \$416 million. The U.S. trade deficit in textiles would increase by at least \$169 million. North Carolina has more textile jobs than any other state, and so it stands to be hurt most.

"Korean free trade is a one-way street," Warlick says. "I feel like they are going to pass it, and I think it's a huge mistake for the country. We're not getting anything, and we're giving them concessions."

The proposed pact shows why manufacturers don't always speak with one voice about public policy. American companies that outsource labor-intensive work overseas benefit from free trade. Domestic-only producers usually don't have enough numbers to stop such legislation. That's why Warlick thinks the Korean deal will become law.

On the state level, Ebert says the General Assembly could address several issues that could improve the business climate for manufacturers.

North Carolina's costs per worker's compensation claim are among the highest in the country. Costs have tripled since 1996.

"Something is going on in the workers'-compensation system that makes claims cost more in North Carolina," Ebert says. "If we aren't constantly adjusting the system, things get out of line. We need to get it more fair and balanced."

Century-old [Charlotte Pipe and Foundry](#), which makes cast iron and plastic pipe for plumbing and industrial systems, didn't lay off any of its 1,100 employees in the Carolinas during the recession. But the business counts on the housing market for 60% of its sales, so it's working to keep production costs low. That's why its management is concerned about the impact of proposed environmental standards for greenhouse gases.

Brad Muller, vice president of marketing, says the proposed cap-and-trade system for managing pollution is dead legislatively. But he says the Environmental Protection Agency is trying to regulate the amount of carbon dioxide companies such as Charlotte Pipe can emit.

"What the EPA wants to do is tax carbon, which drives up energy costs for us," Muller says. "What the EPA is doing is having a chilling effect on manufacturing in a number of areas."

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- New environmental regulations, such as a proposed curb on carbon emissions, will raise energy costs for manufacturers.
- Free-trade agreements are gaining favor because domestic manufacturing lacks clout to stop them.
- Costs of claims for workers' compensation in the state have tripled since 1996.

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