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1 {York Stenographic Services, Inc.}

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3 HIF155.170

4 ``OUR NATION OF BUILDERS: HOME ECONOMICS''

5 TUESDAY, JUNE 4, 2013

6 House of Representatives,

7 Subcommittee on Commerce, Manufacturing, and Trade

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:05 a.m.,  
11 in Room 2123 of the Rayburn House Office Building, Hon. Lee  
12 Terry [Chairman of the Subcommittee] presiding.

13 Members present: Representatives Terry, Lance,  
14 Blackburn, Guthrie, Olson, McKinley, Bilirakis, Johnson,  
15 Long, Schakowsky, McNerney, Welch and Matheson.

16 Staff present: Kirby Howard, Legislative Clerk; Nick

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17 Magallanes, Policy Coordinator, Commerce, Manufacturing, and  
18 Trade; Brian McCullough, Senior Professional Staff Member,  
19 Commerce, Manufacturing, and Trade; Gib Mullan, Chief  
20 Counsel, Commerce, Manufacturing, and Trade; Andrew Powaleny,  
21 Deputy Press Secretary; Shannon Weinberg Taylor, Counsel,  
22 Commerce, Manufacturing, and Trade; Michelle Ash, Democratic  
23 Chief Counsel; and Will Wallace, Democratic Professional  
24 Staff Member.

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|

25           Mr. {Terry.} Good morning, and welcome to our hearing.  
26 I am pleased to say that this is our fourth hearing in our  
27 ``Nation of Builders'' series and one that I have been  
28 looking forward to, particularly because I get to welcome  
29 somebody from my hometown, and frankly, a one-time neighbor,  
30 and that is George Kubat, who is the CEO of Phillips  
31 Manufacturing, a company that I am proud to have  
32 headquartered in my district, and particular in south Omaha,  
33 a notorious--I shouldn't say notorious, but a well-known  
34 blue-collar area of my great city.

35           Thus far in Congress, we have heard from the CEOs of the  
36 largest steel companies in the United States, representatives  
37 of the world's largest auto manufacturing companies, and even  
38 had a showcase displaying the wide range of products being  
39 manufactured in each of our districts on this committee  
40 panel. And today we are welcoming our home builders and  
41 manufacturers of products that are included in home building.

42           Of course, these industries are pretty different. A  
43 company like Ford, who testified at our hearing on auto  
44 manufacturing, is markedly different in many ways from my

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45 constituent on today's panel, Phillips Manufacturing. One  
46 makes cars, and one makes corner beads used for drywall  
47 finishing. Clearly, their products are different. Their  
48 companies are different sizes and serve different market  
49 sectors. Yet their message to our subcommittee is quite  
50 similar. Both the President of the Americas at Ford and Mr.  
51 Kubat from Phillips put three of the same issues in their top  
52 four areas for Congress to focus on. Now, I don't think  
53 these two business leaders know each other, so I doubt they  
54 worked in concert, but they were remarkably consistent when  
55 it came to identifying places where Congress should focus and  
56 policy areas in need of improvement. They say we should pay  
57 attention to regulatory efficiency and certainty, tax reform,  
58 and worker education and training.

59 Not surprisingly, the similarity between testimonies  
60 does not stop here. We have had over 35 witnesses testify at  
61 our manufacturing hearings and many of the themes and issues  
62 have been recurrent. It is time we start listening to these  
63 folks and what they are telling us, and start looking at ways  
64 we can take their advice, address their concerns and help  
65 them help Americans get back to work.

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66           I believe that the best way to grow our economy is by  
67   nurturing an environment where organic job growth is  
68   possible, and there is nothing more organic than in home  
69   multi-housing and single-family construction. According to  
70   the National Association of Manufacturers, U.S. manufacturing  
71   jobs pay around \$77,000 a year, and we must find ways to  
72   facilitate growth in these domestic industries, and I hope  
73   today as we hear from the home building industry we can help  
74   create the organic environment they need to stay competitive  
75   and create good-paying jobs, all while building affordable  
76   housing for Americans. This is a nonpartisan issue. Not  
77   only will we create this environment, foster job creation,  
78   but it will also help our manufacturers build the next  
79   generation of energy efficient, more affordable and safer  
80   homes.

81           I want to thank again our witnesses for being here  
82   today.

83           [The prepared statement of Mr. Terry follows:]

84   \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

85           Mr. {Terry.}   Marsha, do you want a minute and a half?

86   I will yield to the gentlelady from Tennessee.

87           Mrs. {Blackburn.}   Thank you, Mr. Chairman, for calling

88   the hearing today, and I want to take my time and welcome

89   Curt Stevens, who is the CEO of Louisiana-Pacific

90   Corporation.   It is headquartered in Nashville, Tennessee,

91   and we are proud to have it there.   LP is not only one of the

92   backbones of the housing industry but they are a leader in

93   quality-engineered wood building products including OSB,

94   structural framing products and exterior siding for use in

95   residential, industrial and light commercial construction.

96   As we talk about jobs in this committee, it is important to

97   note that they employ 3,900 people and operate 25 mills

98   located in the United States, Canada, Chile and Brazil.   LP

99   is striving not only to be seen as a respected manufacturer

100   of building products but is creating jobs in local

101   communities across the country.   These are forest owners,

102   truckers, loggers, suppliers, and we want to make certain

103   that we keep that jobs growth environment in place.

104           So Mr. Stevens, we welcome you and I look forward to

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105 your testimony, and Mr. Chairman, I yield back.

106 [The prepared statement of Mrs. Blackburn follows:]

107 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|  
108           Mr. {Terry.} Thank you, and I will yield back the 8  
109 seconds and recognize the gentlelady from Illinois, our  
110 ranking member, Jan Schakowsky.

111           Ms. {Schakowsky.} Thank you, Mr. Chairman, for yielding  
112 and for holding today's very important hearing on the home  
113 building industry.

114           In Chicago, where I am from, home sale prices dropped  
115 dramatically following the Great Recession 36 percent below  
116 pre-recession level. Housing in Chicago is rebounding from  
117 that low point. The median sale price for homes is 18  
118 percent higher than last year, according to Trulia. However,  
119 the New York Times Magazine this past weekend highlighted for  
120 many areas of Chicago the foreclosure crisis is still causing  
121 pain and we need to develop policies to support the  
122 rehabilitation of those neighborhoods.

123           The home building industry has historically been a good  
124 indicator of strength of our economy, and I am pleased that  
125 the industry continues to recover from the recession. The  
126 industry supports almost 600,000 jobs nationwide, and with  
127 housing starts up 13 percent over the same period last year,



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128 I am hopeful that those job numbers are going to continue to  
129 grow.

130 As we seek ways to foster growth in the home building  
131 industry, it is important that we do so in a thoughtful and  
132 forward-looking way. The topic of energy efficiency will be  
133 a major subject of today's hearing, and for good reason.  
134 Energy is one of the three largest costs of home ownership.  
135 Incentivizing upfront investments in energy-efficient  
136 building materials, electronics and other products can save  
137 families thousands of dollars in the long run while also  
138 reducing pollution and improving public health. I look  
139 forward to hearing from our witnesses about how to motivate  
140 those investments in the development phase for new homes.

141 And while we are on the subject of smart home design, I  
142 want to mention another important priority for me as it comes  
143 to housing. As we continue our housing recovery and our  
144 population ages and our military veterans return from the  
145 battlefield with severe physical disabilities, there is an  
146 increased need for accessible housing. The cost to renovate  
147 existing housing to make it accessible for those with  
148 physical disabilities can be tens of thousands of dollars,

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149 often forcing residents to move or become increasingly  
150 isolated or go to a nursing home, but if accessibility  
151 features are incorporated into housing at the time of  
152 construction, the additional cost can be less than \$600. So  
153 next week I plan to reintroduce the Inclusive Home Design  
154 Act, legislation I have sponsored for more than a decade,  
155 really at the behest of the disability community. My bill  
156 would require homes built with federal dollars to meet  
157 inclusive design standards including at least one accessible  
158 or zero-step entrance into the home, doorways wide enough for  
159 a wheelchair on the main level, and let us face it, there is  
160 no magic to the size of a door width if you do it initially  
161 as opposed to having to rehab it, one wheelchair-accessible  
162 bathroom, light switches and thermostats at reachable heights  
163 from a wheelchair. This legislation is a commonsense  
164 approach to addressing the rising demand for inclusive  
165 housing. It is another case in which a low-cost investment  
166 early can prevent incredibly burdensome renovations later on.  
167 I have to tell you, I have made attempts in the past to deal  
168 with the home building industry, I hope that we can some of  
169 us have a conversation about this and that you would consider

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170 support for this commonsense legislation.

171 I look forward to hearing from our witnesses about the  
172 state of home building, its impact on the overall economy,  
173 the increase in energy-efficient home design, and how we can  
174 incentivize further job growth in the industry. I yield  
175 back.

176 [The prepared statement of Ms. Schakowsky follows:]

177 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|  
178           Mr. {Terry.} The gentlelady yields back. The gentleman  
179 from Texas, Mr. Olson, is recognized for 2 minutes.

180           Mr. {Olson.} I thank the chair, and I am thrilled to  
181 introduce the President of the Texas Association of Builders  
182 and the President and CEO of Tilson Homes and my friend,  
183 Eddie Martin. Eddie has a distinction that I will never  
184 have: he is a native Texan. Born in Pecos, Texas, he is a  
185 West Texas man. He got his bachelor's degree from Abilene  
186 Christian University, his law degree from the University of  
187 Houston, and Eddie and his wife, Brenda, have been married  
188 for 33 years. Last September, Eddie and Brenda took another  
189 full-time job spoiling their first grandchild, Kate. So  
190 welcome, Eddie. Thank you for coming. I look forward to  
191 your testimony. I yield back.

192           Mr. {Terry.} Is there anybody else that wishes to be  
193 recognized for a statement? Seeing none, this should be  
194 written down in congressional history as the shortest opening  
195 statements.

196           With that, we will start our testimony. As I mentioned,  
197 we are going to go from Mr. Judson to our right. At 5

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198 minutes, if you are still talking, you will hear some  
199 progressively strengthening in sound tapping by the gavel.  
200 There are some lights there. Green, yellow is the last  
201 minute, so you should start when you see it turn yellow,  
202 start wrapping up.  
203 So Mr. Judson, you are now recognized for 5 minutes.

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|

204 ^STATEMENTS OF RICK JUDSON, OWNER, EVERGREEN DEVELOPMENT  
205 GROUP, AND CHAIRMAN, NATIONAL ASSOCIATION OF HOME BUILDERS;  
206 CURT STEVENS, CEO, LOUISIANA-PACIFIC CORPORATION; GEORGE  
207 KUBAT, PRESIDENT AND CEO, PHILLIPS MANUFACTURING COMPANY;  
208 EDWARD MARTIN, PRESIDENT AND CEO, TILSON HOME CORPORATION;  
209 THOMAS S. BOZZUTO, CHAIRMAN AND CEO, BOZZUTO GROUP, AND  
210 CHAIRMAN, NATIONAL MULTI HOUSING COUNCIL, ON BEHALF OF  
211 NATIONAL APARTMENT ASSOCIATION; AND STEVEN NADEL, EXECUTIVE  
212 DIRECTOR, AMERICAN COUNCIL FOR ENERGY-EFFICIENT ECONOMY

|

213 ^STATEMENT OF RICK JUDSON

214 } Mr. {Judson.} Thank you. On behalf of the more than  
215 140,000 members of the National Association of Home Builders,  
216 I appreciate the opportunity to testify before you today. My  
217 name is Rick Judson. I am a home builder and developer from  
218 Charlotte, North Carolina, and Chairman of the Board of the  
219 National Association of Home Builders.

220 Home building is dominated by small firms, and our  
221 membership reflects just that. Approximately 70 percent of

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222 the NAHB members build 10 or fewer homes per year, and their  
223 median revenue is under a million dollars. Collectively,  
224 however, we represent a massive industry employing literally  
225 millions of people and producing about 17 percent of the  
226 Nation's gross domestic product. The recession, of course,  
227 has taken a heavy toll. Total employment in home building is  
228 down almost 40 percent from our peak of 2006 and it is down  
229 to under 2.1 million employees. Last year, the industry only  
230 constructed 534,000 homes. For a comparison, to keep up with  
231 population growth and replacement needs, we should be  
232 building about 1.4 million homes per year.

233       There is, however, reason for optimism. Over the last 2  
234 years, the housing market has started to heal and home  
235 building is beginning to pick up. Our growth creates jobs,  
236 something you have all acknowledged. More than three full-  
237 time jobs are generated by the construction of each single-  
238 family home. Similarly, 100 new multi-family units will  
239 result in 116 new jobs. With just a normal production cycle,  
240 2 million more job opportunities will be available to this  
241 country. Housing also provides a key tax base for State and  
242 local governments. Homeowners paid approximately \$3 billion

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243 in property taxes last year.

244       However, economic and policy headwinds are beginning to  
245 slow some recovery. For example, in response to the  
246 prolonged downturn, many building material companies cut back  
247 on production and capacity. Now that housing is coming back,  
248 the lack of product availability is resulting in rising  
249 costs. Pricing for lumber, wood products accounts for about  
250 15 percent of the cost in new construction. OSB products  
251 jumped over 80 percent in the past year. Framing lumber is  
252 up 32 percent. Gypsum products--drywall, etc.--are up about  
253 40 percent. This drives up the price for new homes, which  
254 particularly is tough on builders of affordable housing. It  
255 doesn't take much of an effect to put people out of the  
256 ability to purchase a home. About 240,000 households will be  
257 priced out with every \$1,000 increment in the cost of  
258 housing. Policies that streamline permitting, that attract  
259 investment into domestic mining, and that encourage multi-use  
260 forest management would all help in the pricing pressures  
261 that seem to ride this cyclical ride.

262       We are also concerned with the trends in energy code  
263 development, to mandate certain or almost proprietary



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264 products or techniques. This significantly limits the choice  
265 for consumers and does not allow for the performance-driven  
266 value engineering that we would prefer. Further efforts to  
267 push energy efficiency without real consideration of cost is  
268 a huge problem. I am a certified green professional builder,  
269 and I understand the value of energy efficiency and its  
270 importance to the consumer, but even with those savings,  
271 there are significant upfront costs being incurred in the  
272 home. We are particularly concerned about the costs imposed  
273 in one of the most recent energy codes. It will take the  
274 typical homeowner about 13 years to break even on that  
275 investment. In some States like Nebraska, it would be almost  
276 17 years. Traditionally, the consumer is expecting and  
277 willing to pay for that capital investment that would be  
278 recovered in 7 or 8 years, so keep that in mind. These long  
279 payback periods will ultimately hurt housing affordability,  
280 and ironically, push lower-income owners into cheaper, older,  
281 less efficient homes.

282       Possibly the most significant problem facing our  
283 industry is the lack of construction lending. NAHB strongly  
284 supports two bills, House Resolution 1255 and Senate

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285 Resolution 1002, that would require banking regulators to  
286 issue new guidance specifically addressing the key regulatory  
287 areas that have significantly hampered the flow of credit to  
288 our Nation's home builders.

289       There still is work to be done before we see a healthy  
290 housing market, but again, as I mentioned, there is reason to  
291 be optimistic. We have 2.1 million households that have not  
292 formed due to the economy. These are college students moving  
293 back in with their parents, like mine. There are people  
294 taking on extra roommates. These individuals represent  
295 significant demand in the near term for both rental and  
296 purchasing of homes. Forecasts predict that housing starts  
297 over the next year will nearly double that of 2009. Future  
298 growth, if not impeded by the issues I discussed, will create  
299 jobs, will enhance small business, will create tax incentives  
300 for local and federal government.

301       We are industry that is ready to get back to work, and  
302 we would appreciate your assistance in assuring the recovery  
303 and our ability to contribute to society. Thank you.

304       [The prepared statement of Mr. Judson follows:]

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305 \*\*\*\*\* INSERT 1 \*\*\*\*\*

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|

306           Mr. {Terry.} Thank you, Mr. Judson.

307           Now, Mr. Stevens, you are recognized for 5 minutes.

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|

308 ^STATEMENT OF CURT STEVENS

309 } Mr. {Stevens.} Thank you. My name is Curt Stevens. I  
310 am the CEO of Louisiana-Pacific Corporation. This year,  
311 Louisiana-Pacific celebrates our 40th anniversary. Over the  
312 years, we have managed millions of acres of forestland,  
313 operated hundreds of wood-products mills, and sold almost  
314 every building product that can be made from wood.

315 A little more than a decade ago, we sold our forestlands  
316 and narrowed our focus to concentrate on what we do best:  
317 manufacturing and selling building products. Today we  
318 produce the wood products that build the roofs, walls and  
319 floors of single- and multi-family homes across the country.

320 More than half of LP's sales come from products made in  
321 15 manufacturing sites spread across 13 States, from northern  
322 California to Maine to Alabama. We are headquartered in  
323 Nashville, Tennessee, and also operate administrative sites  
324 in Oregon, Washington and Idaho. We operate another 10  
325 plants in Canada, Chile and Brazil.

326 LP employs 2,630 people in the United States. Twenty-

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327 two hundred of these folks are in our production facilities  
328 located in rural areas close to our wood supply. These are  
329 communities where jobs can be scarce, and LP is often the  
330 major employer. Besides these LP jobs, for every person LP  
331 directly employs, about three additional jobs are created in  
332 these communities for loggers, truckers, suppliers and  
333 others. In addition, LP provides income to thousands of  
334 local family forest owners by purchasing the timber that they  
335 grow.

336 Even during the market recession, the wood products  
337 industry operated almost 1,000 manufacturing facilities  
338 across America, providing close to 400,000 jobs and a payroll  
339 of \$16.5 billion, and this was in 2011. Over the years, LP  
340 has been through many up-and-down cycles in the housing  
341 market but we have never seen a dip as severe as the recent  
342 housing downturn from 2007 to 2012. LP along with others in  
343 our industry was forced to shut our mills, reduce hours and  
344 shifts, and lay off workers.

345 The good news is that in the last year, housing starts  
346 are slowly but consistently improving. We are cautiously  
347 optimistic about the new few years. The signs of continued

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348 growth are there, but we still face economic headwinds and  
349 regulatory burdens that could slow growth and income and  
350 jobs. It is in this context that I would like to offer  
351 perspectives on several priorities to ensure that this  
352 fundamental American industry continues to strength and  
353 remain competitive.

354       Environmental stewardship and compliance is one of LP's  
355 core values, and the wood products industry has met many  
356 costly regulatory challenges over the years. The industry  
357 needs a reasonable and sustainable regulatory path based in  
358 quality science. For example, the Wood Maximal Achievable  
359 Control Technology, or MACT, or will cost LP upwards of \$13  
360 million.

361       The wood products industry is a leading user of wood  
362 fiber and producer and user of carbon-neutral renewable  
363 biomass energy to run our plants. Mandates and incentives  
364 including the Federal Renewable Electricity Standard, climate  
365 policies and the Renewable Fuel Standard promote the use of  
366 biomass for energy. Policymakers should be mindful of the  
367 growing demand that this created in the United States and  
368 internationally for biomass and the impact it could have on

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369 the mature wood products industry that rely on this fiber  
370 both as our raw material and a means for energy creation at  
371 our facilities.

372         Additionally, wood products face a threat from the U.S.  
373 Department of Energy-supported 2012 International Energy  
374 Conservation Code, the IECC. Despite the ability of either  
375 product to contribute to equivalent thermal performance, the  
376 2012 version of the IECC unjustifiably gives preferential  
377 treatment to one product--foam sheathing--over structural  
378 wood panels such as OSB. That preference could result in a  
379 loss of 20 percent of the structural wood market and  
380 thousands of jobs.

381         As an international company, comprehensive tax reform,  
382 though not easy, is long overdue. At LP, these are real  
383 issues that affect daily decisions about where we make our  
384 products and hire our people. For example, Canada is one of  
385 many OECD member countries that have lowered corporate rates  
386 during the past two decades while U.S. corporate rates have  
387 remained nearly stagnant.

388         Finally, LP supports immigration reform that helps  
389 ensure that we can find qualified labor to operate our mills,



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390 plant trees for sustainable forests that supply raw  
391 materials, and to contract the homes our products help to  
392 make.

393 In summary, Louisiana-Pacific and the wood products  
394 industry play an important role in the economy of our Nation  
395 and the building of America. We are on the upswing, but we  
396 need your help in enacting and supporting policies to ensure  
397 that we have reasonable, science-based environmental  
398 regulation, energy regulations and codes that maintain a  
399 level playing field and fair competition, corporate tax  
400 return, and policies to address labor needs and skills gaps.  
401 We are proud to manufacture the materials that literally  
402 build America.

403 Thank you for the opportunity to speak to you at this  
404 hearing.

405 [The prepared statement of Mr. Stevens follows:]

406 \*\*\*\*\* INSERT 2 \*\*\*\*\*

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|

407           Mr. {Terry.} Thank you. Well done.

408           And now Mr. Kubat, who is the President and CEO of

409 Phillips Manufacturing, headquartered in Omaha, Nebraska, you

410 are recognized for 5 minutes.

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|

411 ^STATEMENT OF GEORGE KUBAT

412 } Mr. {Kubat.} Chairman Terry, Ranking Member Schakowsky,  
413 distinguished members of the subcommittee, good morning and  
414 thank you for the opportunity to testify today. My name is  
415 George Kubat, and I am the President and CEO of Phillips  
416 Manufacturing Company.

417 Phillips is a drywall bead and trim manufacturer--the  
418 metal corners used in drywall applications and related  
419 products. We are a nationwide manufacturer and distribution  
420 company, employee owned and in business for over 50 years.

421 Given my limited time in front of the subcommittee this  
422 morning, I will be focused on the following areas and request  
423 your help, which will benefit many manufacturers in the  
424 United States: one, over-regulation; two, vocational  
425 education; three, taxation; and four, unfair foreign  
426 competition.

427 Over-regulation: My initial comment is a general  
428 concern that any time a representative of a government agency  
429 contracts a business and says I am from the government and I

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430 am here to help you, the immediate reaction of the business  
431 is to assume a defensive position. The growth and complexity  
432 of regulation and corresponding enforcement increases in all  
433 areas every year. Although the agencies may know the  
434 regulations and rules under their umbrella, it is impossible  
435 for small manufacturers to stay current with what they must  
436 comply. Of course, lack of knowledge or understanding is not  
437 a defense for noncompliance. To our 13 federal agencies  
438 whose regulatory umbrella Phillips Manufacturer must comply  
439 with, they are listed in my prepared comments. Certainly,  
440 there is a need for regulation and governance over  
441 manufacturing practices for many reasons including employee  
442 safety, quality of treatment, environment, immigration,  
443 health care, taxes and many more but it can't possibly make  
444 sense for a relatively simple metal manufacturing business  
445 like Phillips Manufacturing to work through 13 federal  
446 agencies and dozens of State and local agencies. As  
447 difficult and expensive as compliance is for Phillips, it has  
448 to be impossible for the smallest of manufacturers, those  
449 with 50 or less employees. Over the past several decades in  
450 the United States we have created a labyrinth bureaucracy of

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451 government policy and complexity of regulation that makes it  
452 difficult for Phillips Manufacturing and especially smaller  
453 manufacturing companies to comply with today's requirements.  
454 Vocational education: Another request for this subcommittee  
455 is to reverse the decline in vocational education. Phillips  
456 Manufacturing is not alone in its struggle to find enough  
457 workers to fill our open positions in skilled trades. I  
458 believe many manufacturers, and our customers in the building  
459 construction trades, share this same challenge. It is little  
460 wonder that we struggle to find enough people in the skilled  
461 trades when I reflect on the fact that, to my knowledge, high  
462 schools and community colleges have none or minimal shop-type  
463 classes. The local community colleges have switched their  
464 marketing focus from skilled trades education to university  
465 preparation. Compare this situation to when I was in school,  
466 where almost every high school had shop classes and the local  
467 community college focused on the skilled trades education.

468       Taxation: The U.S. tax code is archaic, complex, and  
469 beyond the ability of even the IRS to understand it. Tax  
470 rates only continue to increase including the tax increases  
471 mandated by the Health Care and Education Reconciliation Act

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472 of 2010, which, by the way, it seems no one really  
473 understands how this Act will fully impact our cost of doing  
474 business in the United States. One thing is clear, income  
475 tax rates for smaller businesses which are fortunate enough  
476 to make money will go up by 3.8 percent in 2013. In  
477 addition, payroll taxes will increase, as well as the cost of  
478 providing insurance benefits to our employees. These costs  
479 reduce our ability to reinvest in our business and be  
480 competitive with non-United States businesses.

481       Unfair foreign competition: Earlier I referred to the  
482 global economy. What do we view as unfair foreign  
483 competition? Our regulatory and tax structure in the United  
484 States creates a higher cost of production for many products  
485 that Phillips manufactures. The unfair foreign competition  
486 is from products manufactured in countries where governments  
487 provide financial support. These products are of inferior  
488 material and quality. China is a major concern but there are  
489 also many other countries. It makes it difficult not only to  
490 compete with these products for sales in the United States,  
491 it makes it impossible to even think of exporting any of our  
492 products to foreign countries. Phillips Manufacturing only

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493 manufactures in the United States.

494 In conclusion, please take action to lower taxes, stop  
495 the bureaucratic growth of regulation--less is better.

496 Skilled trades are good jobs and people need to be trained  
497 and educated to fill the positions. Create and address  
498 unfair foreign competition. Phillips is proud to label all  
499 our products made in the U.S.A.

500 Thank you for giving me the opportunity to present to  
501 you today.

502 [The prepared statement of Mr. Kubat follows:]

503 \*\*\*\*\* INSERT 3 \*\*\*\*\*

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|

504           Mr. {Terry.} Thank you, Mr. Kubat.

505           And Mr. Martin is the President and CEO of Tilson Home

506 Corporation that we heard somebody up on this dais brag

507 about. You are recognized for 5 minutes.



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|

508 ^STATEMENT OF EDWARD MARTIN

509 } Mr. {Martin.} Thank you, Chairman Lee Terry and Ranking  
510 Member Schakowsky and the members of the Subcommittee on  
511 Commerce, Manufacturing, and Trade. Thank you for the  
512 opportunity to testify today. My name is Eddie Martin and I  
513 am a home builder from Texas, and President and CEO of Tilson  
514 Home Corporation. I have 30 years of experience in the  
515 building industry myself, both as a practitioner and an  
516 industry representative. I am honored to participate in this  
517 hearing on housing's role in sustaining and growing the  
518 national economy.

519 Established in 1932, Tilson signs and builds custom  
520 homes on customers' property throughout Texas. We are a  
521 family owned and operated now for four generations. Family  
522 members have managed our business. We are ranked by Builder  
523 magazine as one of one the 100 largest builders in the United  
524 States.

525 We have seen firsthand the housing market has improved  
526 over the last year, which is a welcome change to our industry

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527 and the economy. The building industry includes a vast  
528 network that includes general contractors and some contracted  
529 businesses, some of whom will testify here today.

530 At the same time, this turnaround presents new  
531 challenges for the industry. At Tilson Homes, we are already  
532 experiencing labor shortage in both high-skill and low-skills  
533 end of the construction labor categories. The most acute  
534 shortages are framing, flooring, roofing, HVAC, plumbing and  
535 electrical contractors. My company has experienced delays  
536 due to the lack of qualified framing crews who are familiar  
537 with various structural building codes including windstorm  
538 codes on the coast. Plumbers and HVAC technicians are in  
539 short supply. We are struggling to find master plumbers and  
540 roughing crews who run the pipes and foundations before the  
541 concrete is placed because the workforce is aging, it is  
542 getting harder to find young plumbers to enter the trade.

543 As a 100 percent committed EPA Energy Star builder,  
544 Tilson is required to use Energy Star-certified HVAC  
545 contractors. Finding new certified HVAC contractors is  
546 difficult because of the shortage of skilled workers trained  
547 in Energy Star. As a result of the shortage of skilled

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548 labor, on average it is taking my company a month longer to  
549 build our homes, which adds to our costs and makes it more  
550 difficult to satisfy our customers.

551 As a State and national industry rep, I can attest the  
552 lack of skilled labor has become a nationwide problem. In  
553 the most recent NAHB/Wells Fargo Housing Market Index survey,  
554 46 percent of builders experience delays in completing  
555 projects on time. Fifteen percent of the respondents had to  
556 turn down some projects, and another 9 percent lost or  
557 canceled sales as a result of the recent labor shortages.  
558 According to the 2011 American Community survey, foreign-born  
559 workers account for 22 percent of the construction labor  
560 force nationally. This number varies by State, and in some  
561 States such as Texas, we have nearly 40 percent foreign-born  
562 workers in the industry. These are the States that will  
563 experience the most acute labor shortages once home building  
564 increases. I would also note that the immigrants are  
565 concentrated in some trades needed to build homes such as  
566 carpenters, painters, drywall, brick mason and general  
567 construction laborers. These are the trades that require  
568 less training and education but consistently register the

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569 highest labor shortages in NAHB surveys.

570 As Congress begins to consider immigration reform, I  
571 strongly believe that this is an important opportunity for  
572 the country to implement a new market-based visa system that  
573 would allow more immigrants to legally enter the construction  
574 workforce each year. Despite our efforts to recruit and  
575 train American workers, there is still a worker shortage,  
576 which is a very real obstacle to our industry's full recovery  
577 as work is delayed or canceled due to this shortage.

578 The housing industry is turning the corner and  
579 contributing to an improving labor market. However, I  
580 believe a long-term holistic approach to comprehensive  
581 immigration reform can maximize the recovery in housing and  
582 allow the industry to reach its full economic potential.

583 Thank you for having me. I look forward to questions.

584 [The prepared statement of Mr. Martin follows:]

585 \*\*\*\*\* INSERT 4 \*\*\*\*\*

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|

586           Mr. {Terry.} Thank you very much.

587           I now recognize Mr. Bozzuto from the National Apartments  
588 Association. He is the Chairman and CEO of Bozzuto Group,  
589 and I thank you for taking the time to come to us, and you  
590 are now recognized for 5 minutes.

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|  
591 ^STATEMENT OF THOMAS S. BOZZUTO

592 } Mr. {Bozzuto.} Chairman Terry and Ranking Member  
593 Schakowsky, representing the National Multi-Housing Council  
594 and the National Apartment Association, I would like to thank  
595 you for this opportunity to testify on the multi-family  
596 sector's contribution to the national economy. I am Tom  
597 Bozzuto, Chairman and CEO of the Bozzuto Group, and also  
598 Chairman of the National Multi-Housing Council. I have been  
599 in the multi-family business for more than four decades. My  
600 firm focuses on the mid-Atlantic region developing, building  
601 and managing apartment properties.

602 In our country, the strongest communities contain a mix  
603 of housing options, and that includes apartments. Apartment  
604 homes and our 35 million residents nationally contribute \$1.1  
605 trillion annually to the economy and help support more than  
606 25 million jobs. I am proud to say that since the recession  
607 in 2009, my company, the Bozzuto Group, has developed, is  
608 building more than three-quarters of a billion dollars worth  
609 of projects that have collectively supported more than 10,000

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610 jobs.

611           Nationally, research by George Mason University  
612 economist Steve Fuller shows that in 2011 alone, apartment  
613 construction reflecting approximately one-third of all new  
614 housing starts had a total economic contribution of \$42.5  
615 billion and supported nearly 324,000 jobs including 121,000  
616 onsite positions. Furthermore, half of all new households  
617 formed this decade are expected to rent, so demand will  
618 continue to grow. Supply is already falling short as an  
619 estimated 300,000 to 400,000 units must be built each year to  
620 meet demand yet just half that number was delivered in 2012.

621           It is important to realize that the multi-family  
622 industry relies heavily on our manufacturing partners to both  
623 develop new apartments and maintain the country's 19 million  
624 apartment homes. Allow me to illustrate this with one of my  
625 own projects: Union Wharf. We are building this \$72 million  
626 apartment community in Baltimore's historic Fells Point  
627 neighborhood, and when completed later this year, it will  
628 provide 281 apartment homes and 4,500 square feet of retail.  
629 More than 600 jobs will have been created by this project.  
630 On track to achieve LEED gold certification and build on an

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631 infill former industrial lot, the project showcases our  
632 commitment to sustainability and demonstrates how apartments  
633 spur economic growth.

634       The manufacturing impact of this project is profound.  
635 The building required enough concrete to fill 240 swimming  
636 pools. End to end, the lumber used would span about 331  
637 miles, and the drywall could cover more than 42 football  
638 fields. The sprinkler system alone required 56,000 linear  
639 feet of piping and almost 5,000 heads. In addition, we will  
640 use 204,000 pounds of granite, 290,000 bricks, more than  
641 7,000 gallons of paint, and 1,700 appliances and 3,500  
642 cabinets, and this is one building. A significant percentage  
643 of these materials were manufactured in America with more  
644 than 25 percent coming within 500 miles of the site. The  
645 apartment industry, as demonstrated by this one project, is a  
646 robust economic engine that provides lasting job growth and  
647 spending nationwide.

648       And now for our recommendations. As significant  
649 consumers of energy, policies that ensure continued access to  
650 affordable fuel sources are critical. Efficiency  
651 improvements made in apartment properties can generate



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652 significant energy reductions and can impact a large number  
653 of households. The committee should advance incentive-based  
654 strategies for promoting building efficiency that recognize  
655 the unique characteristics of apartments. We also caution  
656 against creating a rating system that grades buildings on  
657 their energy efficiency, and instead we support the expansion  
658 of well-known energy management tools to apartments such as  
659 the Energy Star program. We also support voluntary green  
660 building programs such as the National Green Building  
661 Standard, the only standard written to be seamlessly  
662 incorporated into existing building codes.

663 My written testimony also outlines several other key  
664 issues critical to the apartment industry such as a tax  
665 system that promotes economic growth without disrupting the  
666 real estate industry, a housing finance system that provides  
667 access to capital in all markets at all times, and a  
668 regulatory environment that does not inhibit our ability to  
669 provide housing to millions of American people.

670 On behalf of the apartment industry, thank you for the  
671 opportunity to testify.

672 [The prepared statement of Mr. Bozzuto follows:]

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673 \*\*\*\*\* INSERT 5 \*\*\*\*\*

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|

674           Mr. {Terry.} And thank you. And now, speaking of home  
675 energy efficiencies, we have Mr. Nadel, who is the Executive  
676 Director of the American Council for an Energy-Efficient  
677 Economy. Thank you for being here, and you are now  
678 recognized for 5 minutes.

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|

679 ^STATEMENT OF STEVEN NADEL

680 } Mr. {Nadel.} Thank you, Chairman Terry and other  
681 members of the committee. I am very happy to speak before  
682 you today. As you noted, I am the Executive Director of the  
683 American Council for an Energy-Efficient Economy. We are a  
684 nonprofit organization that acts as a catalyst to advance  
685 energy-efficiencies policies, programs, technologies and  
686 investments. We were formed by energy researchers, and just  
687 celebrated are 33rd anniversary. Personally, I have been  
688 involved in energy-efficiency issues since the 1970s. ACEEE  
689 is a nonprofit organization. In our view, energy efficiency  
690 is a quintessentially nonpartisan issue since no one is in  
691 favor of energy waste.

692 Today's hearing is on home building and home economics.  
693 A critical part of home economics is making homes energy  
694 efficient so they have low operating costs. The major costs  
695 of home ownership are mortgage payments, property taxes, home  
696 insurance and energy. The mortgage industry commonly refers  
697 to PITI for principal, interest, taxes and insurance, but

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698 energy costs should also be included as they are usually  
699 higher than insurance costs and sometimes higher than taxes.

700 In my written testimony, I provide some average numbers.  
701 Specifically, mortgages average more than \$12,000 per year  
702 for the average home, real estate taxes and energy each  
703 average just over \$2,000 per year, and insurance is about  
704 \$800 per year.

705 While energy costs average just over \$2,000 per year,  
706 some homes use more than twice that amount and others use  
707 than half of this amount. In most homes, energy use and  
708 energy bills can be reduced by 20 to 40 percent through cost-  
709 effective energy-efficiency investments. In my written  
710 testimony, I show how energy-efficiency investments in our  
711 homes cost less than new electricity supplies and often less  
712 than current natural gas prices. In addition to saving  
713 energy, another virtue of energy-efficiency investments are  
714 they tend to be very labor-intensive, helping to create jobs.

715 Unfortunately, a variety of market barriers keep  
716 builders, homeowners, landlords and renters from realizing  
717 these savings. The barriers are many-fold and include such  
718 factors as split incentives, panic purchases and bundling of

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719 energy-saving features with extra-high-cost bells and  
720 whistles. The term ``split incentives'' refers to the fact  
721 that landlords and builders often do not make efficiency  
722 investments because the benefits of lower energy bills are  
723 received by tenants and home buyers.

724 In the United States, policies to improve the energy  
725 efficiency of homes, both new and existing, are primarily at  
726 the State and local levels. However, federal policy has had  
727 an impact, and at a minimum, the federal government can  
728 provide information and assistance in order to make it easier  
729 for States and local jurisdictions to undertake appropriate  
730 local actions.

731 I discuss several current policies in my written  
732 testimony, but in the interest of time, I just wanted to note  
733 that only about 11 percent of new homes qualify for the  
734 current federal new homes tax incentive. The other 89  
735 percent could do better. And the home performance Energy  
736 Star program, the leading home retrofit program, has  
737 retrofitted less than 1 percent of the single-family housing  
738 stock and even less of the multi-family stock. Reaching more  
739 homes with these and similar programs will help reduce energy

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740 costs and improve affordability for many homeowners.

741 Overall, the National Academy of Sciences in 2010 found that  
742 energy efficiency could reduce U.S. energy use by 25 to 30  
743 percent below forecasted levels.

744 Recently, Representatives McKinley and Welch, both  
745 members of this subcommittee, introduced the Energy Savings  
746 and Industrial Competitiveness Act, H.R. 1616, which is a  
747 bipartisan bill that includes multiple provisions to  
748 encourage energy efficiency. It is a companion to similar  
749 legislation introduced by Senators Shaheen and Portman. The  
750 Senate bill was recently reported out of committee on a  
751 bipartisan 19-3 vote and is expected to reach the Senate  
752 Floor in July. We hope that H.R. 1616 can follow in its  
753 wake.

754 In this bill as well as a number of other bills that  
755 have been introduced or that amendments are expected on the  
756 Senate Floor, there are four specific policy recommendations  
757 I wanted to briefly mention here. First, support for model  
758 and State building codes. These codes are developed by  
759 groups like the International Code Council. DOE provides  
760 technical assistance to these bodies and also as the States

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761 are considering adopting them. H.R. 1616 makes the code  
762 revision process more transparent and encourages and assists  
763 States to consider the most recent model codes, and it will  
764 improve compliance with the codes. We recommend that this be  
765 included. I would note that decision-making remains at the  
766 State level.

767       Second, I would note improving home mortgage  
768 underwriting. Most mortgage underwriting decisions are made  
769 based on mortgage payments, taxes and insurance but not  
770 energy costs. Investments in energy efficiency can reduce  
771 the carrying cost of a home, improving loan repayment rates  
772 and potentially qualifying more purchasers for mortgages. A  
773 recent study by researchers at the University of North  
774 Carolina found that efficient homes, meaning those certified  
775 to meet Energy Star criteria, had a 32 percent lower default  
776 rate than otherwise similar homes. In the 112th Congress,  
777 Senators Bennet and Isakson introduced a bill called the SAVE  
778 Act. It is now going through revisions, and I understand it  
779 may be reintroduced soon. Our understanding is that the  
780 revised bill is likely to direct HUD to develop guidelines  
781 for considering expected energy cost savings of a property



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782 when determining home loan eligibility and home value  
783 determinations, and in addition, it would encourage efforts  
784 to inform loan applicants of the costs and benefits of  
785 improving the energy efficiency of their homes. These  
786 changes will make efficient homes more valuable and  
787 affordable, while reducing homeowner energy bills.

788 I also discuss ways to improve home energy benchmarking  
789 and how to enact temporary incentives for comprehensive home  
790 energy retrofits.

791 I thank you for your time and look forward to your  
792 questions.

793 [The prepared statement of Mr. Nadel follows:]

794 \*\*\*\*\* INSERT 6 \*\*\*\*\*

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|  
795           Mr. {Terry.} Thank you. And now we go into the Q&A  
796 phase of our hearing. We get to ask the questions and you  
797 get to answer. This is the fun part.

798           So Mr. Kubat, I will start with you. Will you describe  
799 for us the difference from number of employees that you have  
800 employed to make the one part, the drywall beads, from, let  
801 us say 2008 to current?

802           Mr. {Kubat.} Maybe just as a quick overview, I am old  
803 enough that I have had several lives, and it was in 2008 was  
804 the first time that I ever had to lay off people from  
805 positions where I wanted to keep them. We cannot control  
806 construction starts, and we have heard from several of the  
807 speakers today the pain that the construction industry went  
808 through that related to housing of any type, whether it is  
809 single, multi, apartments, condominiums. The cliff was very  
810 steep, and what we thought was a correction or a valley was a  
811 canyon. So back in 2007, before the collapse, our total  
812 employment would have been in the high 200s. We have heard  
813 statistics where up to 40 percent of people, I believe Mr.  
814 Stevens indicated Louisiana-Pacific had closing of plants and

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815 downturns. Fortunately, we did not have to close any plants.  
816 We have three plants. But we did have significant reduction  
817 in employment, and I can't give you the exact number but  
818 certainly it was down significantly under 200, maybe 160, 170  
819 people. We are now back with what I refer to as the rising  
820 tide, and certainly we have an improving construction market  
821 and hopefully we can continue to support it in the United  
822 States.

823       We are continuing to hire, but one of the challenges  
824 that we have is this area of what are called skilled workers,  
825 and I am going to say that is primarily tool-and-die shop,  
826 and the training for that has to be onsite. There is not  
827 educational and vocational training bringing these people  
828 into the manufacturing market. We hope that you will be able  
829 to give us support in that area as we look to hire more  
830 people.

831       Mr. {Terry.} I appreciate that. So let me feed off of  
832 the aspect, because it is amazing of all the different  
833 hearings we have had, everyone has testified that they have  
834 job openings in the manufacturing and building area but lack  
835 the semiskilled and skilled workers necessary. So Mr.

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836 Judson, and I will just down the line, if you could be fairly  
837 quick, do you have any thoughts on where we should focus our  
838 efforts to try to develop the semiskilled and skilled workers  
839 necessary?

840 Mr. {Judson.} From two fronts, the technical training  
841 is important and it has been something that has been  
842 deemphasized over the past few years. People have left our  
843 industry to go into other trades. There just was not the  
844 demand for their services so they have gone into other  
845 trades. The deglamorization of the construction trade has  
846 caused people in high school, for example, not to go into the  
847 trade arena so they are not learning a trade. The  
848 immigration laws at this point are prohibitive in allowing us  
849 to hire trainees as it might be to fill some of those  
850 beginning entry slots. So I would say to answer your  
851 question, a focus on technical training with trade schools  
852 and a focus on directing immigration labor opportunities into  
853 the industry.

854 Mr. {Terry.} All right. Mr. Stevens?

855 Mr. {Steven.} I would second what was said there. The  
856 only thing that I might add to that is that the immigration

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857 reform will help both the direct labor workers as well as the  
858 skilled laborers. Canada is an interesting example. Canada  
859 just basically waived their immigration requirements for  
860 skilled trades, and they are bringing in a lot of individuals  
861 from the Philippines and from Ireland to fill these skill  
862 needs, and that may be a model you might want to consider  
863 looking at.

864 Mr. {Terry.} Mr. Martin?

865 Mr. {Martin.} Yeah, I would echo Mr. Judson's comments  
866 but I would also--you know, one of the problems is that high  
867 schools have no vocational training. In Texas, when they  
868 went to the four-by-four program, which required 4 years of  
869 science, English, social studies and math, they took out  
870 vocational training, and so there is no vocational training  
871 in Texas anymore, and there is actually a bill on the  
872 governor's desk to reinstitute vocational training in the  
873 high schools, and I think that would start getting people,  
874 young high school men and women who are not willing to go to  
875 college or wanting to go to college to get into a trade.

876 Mr. {Terry.} Very interesting. Mr. Bozzuto?

877 Mr. {Bozzuto.} The apartment industry began to recover

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878 from this recession before the home building did, and we  
879 began to see the shortage of manpower sooner, and it is very  
880 severe and it is causing meaningful cost increases. I defer  
881 to my associates here and their comment about vocational  
882 education and agree with them. With respect to immigration  
883 reform, our industry, our associations clearly support  
884 comprehensive immigration reform at the federal level with a  
885 reliable system for the employers to verify credentials.

886 Mr. {Terry.} Thank you very much. Mr. Nadel, you don't  
887 get to answer that question, but I have a feeling you'll be  
888 asked a lot of questions. And that brings me to Mr.  
889 Matheson. Sorry. I am yanking it back.

890 Mr. {Matheson.} All right. No problem.

891 Mr. {Terry.} The ranking member is now recognized for  
892 her 5 minutes.

893 Ms. {Schakowsky.} I apologize. When family calls, you  
894 worry and take the call, so I apologize.

895 I wanted to talk a bit about foreclosures. It has been  
896 a real problem and continues to be, as I mentioned in my  
897 testimony, in Chicago. An average family who simply lives in  
898 proximity to foreclosures and who may not have any trouble

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899 with their loans have already lost or will lose more than  
900 \$20,000 in household wealth. It has also become clear that  
901 many of those companies that carried out foreclosures over  
902 the last few years kept poor documentation, sometimes  
903 employed abusive tactics, in some cases committed outright  
904 fraud.

905 On May 16, Representative Cummings introduced H.R. 1706,  
906 the Mortgage Settlement Monitoring Act of 2013, and I along  
907 with the chairman of our full committee, Mr. Waxman, are  
908 original cosponsors to try and ensure transparency in a  
909 federal settlement on mortgage servicers' unsafe and unsound  
910 practices, and a few members of this committee are  
911 cosponsors. So Mr. Judson, the National Association of Home  
912 Builders states on its website that it ``urges banks to  
913 engage in transparent and effective forms of communication  
914 with borrowers to avoid unnecessary financial distress.'' It  
915 seems like it would be in the best interest of home builders  
916 and homeowners alike to reduce residential mortgage servicing  
917 and processing abuses as well as to promote transparency in  
918 any federal reviews. So I wanted to ask you, you may need to  
919 get more information, but on the surface, does this sound

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920     like a bill that could be supported?

921             Mr. {Judson.}   I think the concept of what you are  
922     proposing is certainly supportable.   Our industry doesn't  
923     deal in the writing or underwriting of mortgages.   We build  
924     the homes that unfortunately have been foreclosed upon.   We  
925     support that settlement.   We support a fair settlement.   The  
926     guilt associated with the foreclosure process is  
927     multifaceted, whether it be improperly underwriting, whether  
928     it be greed, whether it be people being truly misled on what  
929     their payments and obligation would be, it is across the  
930     board.   We want that settlement done.   We want it completed.  
931     These people need housing.   If you can look at the housing  
932     stock in this country, the people that are being displaced or  
933     having to rent, and in some cases for more money than they  
934     could refinance their current home if they are paying a  
935     normal, regular rate.   So we support that settlement.

936             Ms. {Schakowsky.}   Thank you.   We would like you to take  
937     a look at that, and we will get that to you, the legislation  
938     itself, and hopefully if we had the support of the home  
939     builders, that would be a boost for us.

940             Mr. {Judson.}   Seventeen oh six?



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941           Ms. {Schakowsky.} That is correct.

942           Mr. {Judson.} Thank you.

943           Mr. {Schakowsky.} Yes, 1706. I also wanted to talk  
944 about energy-efficient appliances, Mr. Nadel. I think you  
945 mentioned that various State and local but also federal-level  
946 energy-efficiency standards have come into effect.  
947 Residential and commercial appliances have evolved into high-  
948 performance machines, etc., but meanwhile, the price of  
949 energy-efficient appliances is falling. A new report by the  
950 ACEEE found that between 1987 and 2010, real prices of  
951 refrigerators, washers and dishwashers decreased by 35  
952 percent, 45 percent and 30 percent, respectively, so I would  
953 like to ask you about this report and your other work on  
954 appliances, and can we conclude that State and federal energy  
955 efficiency standards for appliances are a highly effective,  
956 highly beneficial force for consumers and the environment,  
957 and if I get a new air conditioner that we are looking at, am  
958 I going to get the help I need in terms of some sort of a  
959 credit?

960           Mr. {Nadel.} Thank you for that question. Yes, our  
961 recent report did find that for many, most of the home

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962 appliances as well as commercial products that are regulated  
963 under federal standards, prices have been actually declining.  
964 Manufacturers have sharpened their pencils and figured out  
965 ways to reduce the costs, even as they have dramatically  
966 improved energy efficiency. Energy savings are quite large  
967 as well, and the very interesting thing from that report is  
968 we found that consumer choice had actually either stayed the  
969 same or increased. The products work better today, have more  
970 features, better performance than before. So I do I think  
971 that program has been very successful in saving energy,  
972 saving money. The program has been very careful to set those  
973 standards at levels that are cost-effective and  
974 technologically feasible, so yes, that is very good.

975       In terms of your question about air conditioners,  
976 assuming you are in Chicago, I know Com Ed has a number of  
977 incentive programs that might be very useful to help you go  
978 beyond the minimum standard. For air conditioners, the  
979 minimum standard is called the CR rating of 13, but in many  
980 climates, 15, 16 might make sense.

981       Mr. {Terry.} Thank you. The gentlelady yields back.  
982 At this time the chair recognizes the vice chair of the full

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983 committee, Ms. Blackburn, for her 5 minutes.

984       Mrs. {Blackburn.} Thank you, Mr. Chairman. And Mr.  
985 Nadel, I want to stay with you on the energy-efficiency  
986 issue. I have to tell you, I have never met anybody that  
987 wants to pay more for their energy costs. Everyone is  
988 looking for a way to cut those costs, and I keep watching  
989 these DOE and EPA mandates and the way they apply the rules,  
990 you know, how they will take the laws and then they go about  
991 different things through rulemaking, and of course, where I  
992 am from down in Tennessee, and I am sure Mr. Stevens will  
993 tell you, a lot of us down there like to have a ceiling fan  
994 in the kitchen or the bedroom or out on the back porch if it  
995 is a covered porch. So has your organization taken a  
996 position on the DOE regulatory framework on ceiling fans?

997       Mr. {Nadel.} In general, as I replied to Ms.  
998 Schakowsky, we do support the efficiency standards program  
999 and particularly making sure that any new standards are  
1000 technologically feasible and economically justified. On  
1001 ceiling fans, that provision, as I recall, was enacted by  
1002 Congress in 2005.

1003       Mrs. {Blackburn.} That is correct.

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1004           Mr. {Nadel.} And yes, we supported that standard, and I  
1005 believe that they are now reviewing that standard and trying  
1006 to decide what, if any changes, may make sense. We plan to  
1007 participate in that process.

1008           Mrs. {Blackburn.} Okay. Let me ask you this. Do you  
1009 think DOE should be in the business of mandating the  
1010 efficient products or should they allow consumers the choice  
1011 of choosing energy-saving products that are going to fit  
1012 their needs?

1013           Mr. {Nadel.} Right. The minimum standards remove the  
1014 least-efficient products from the market. They help address  
1015 some of the market barriers but then give consumers many,  
1016 many choices. As I mentioned before, they tend to actually  
1017 improve consumer choice rather than decrease consumer choice.

1018           Mrs. {Blackburn.} Well, and see, I think that we should  
1019 be encouraging consumers in doing things to open up that  
1020 environment and not making it more expensive and more  
1021 difficult. Ceiling fans are one of those things that are in  
1022 the market that can help people reduce their energy use, and  
1023 sometimes I look at this and I think that burdening the  
1024 ceiling-fan manufacturers with increased regulations prices a

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1025 lot of people out of that market, and then increases their  
1026 reliance on cooling systems. Am I wrong about that?

1027 Mr. {Nadel.} We did not specifically look at ceiling  
1028 fans, but for many of the products, the prices have actually  
1029 declined with standards, not increased. So if we can have a  
1030 win-win, I think it is worthwhile. But again, we have not  
1031 specifically looked at ceiling fans.

1032 Mrs. {Blackburn.} Well, see, and we need more win-wins.  
1033 We need less regulation and more options and the ability of  
1034 individuals to get into that marketplace.

1035 Mr. Stevens, I want to come to you. Mr. Judson sitting  
1036 over there next to you mentioned that there had been a number  
1037 of news articles about rising building material prices, and  
1038 he also mentioned that there have been recent declines in  
1039 wood prices and that his has been a positive development. So  
1040 is this a trend we can expect to continue going forward, and  
1041 can you confirm that this is a result of expanded production  
1042 based on confidence that the recovery is real and justifies a  
1043 return to higher levels of capacity and output?

1044 Mr. {Stevens.} Our building products that we produce  
1045 are generally commodities, and a commodity product is, by its

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1046 nature, a decision between a supplier and a buyer on what  
1047 that price will be. So let me just use oriented stand board  
1048 as an example, or OSB. At the end of December, that price  
1049 was \$360 per thousand square feet, roughly. In the first  
1050 quarter, it rose to \$430 because there was more demand than  
1051 there was immediate suppliers and so buyers and sellers  
1052 arrived at a higher price. In the last 6 weeks, that price  
1053 has fallen below \$300. So you see that there is a wide range  
1054 of pricing in these commodity products, and that will  
1055 continue. It will be local supply-and-demand considerations.  
1056 It will be production coming online or production coming  
1057 offline. It will also be very contingent upon weather and  
1058 other conditions for building. So it is both the demand and  
1059 the supply side of that.

1060 I can speak directly to what LP has done. We made a  
1061 decision in October to bring on a new plant in Alabama that  
1062 we built for a cost of \$240 million and ran it for 6 weeks.  
1063 Then the housing market declined and we shut that plant down  
1064 for 5 years. That took us about 9 months and over \$10  
1065 million in capital to bring that plant online. We also  
1066 announced last month that we are bringing on a plant in

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1067 British Columbia to support the western United States in  
1068 building products. So we are bringing on capacity at our  
1069 plants to meet what we expect to be continued demand for  
1070 building products.

1071 Mrs. {Blackburn.} Thank you. Mr. Chairman, I will  
1072 submit in writing a question for Mr. Martin that I had, and I  
1073 yield back.

1074 Mr. {Terry.} Thank you. The chair recognizes now the  
1075 gentleman from Utah. You are recognized for 5 minutes.

1076 Mr. {Matheson.} Well, thank you, Chairman Terry. I  
1077 appreciate that, and I appreciated the witnesses being here  
1078 today.

1079 Mr. Judson, I had a question for you about the issue of  
1080 the home building industry's challenges it faces in the  
1081 credit area, specifically for your AD&C loans, your  
1082 acquisition, development and construction loans. Could you  
1083 please talk to me about how those loans are used and the  
1084 challenges that your industry is facing with those loans?

1085 Mr. {Judson.} A builder will usually apply to a lending  
1086 institution to borrow funds to build a home for you, and  
1087 under the current climate and what has existed for the past

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1088 several years, the builder cannot get that loan to build a  
1089 home. Even more difficult is the ability to get what is  
1090 called a speculative loan where a builder would build a model  
1091 home or a home for sale waiting for the buyer to come along  
1092 and buy the home. That is driven by the regulatory in-  
1093 fighting that is taking place between the regulating agencies  
1094 and the lending institutions themselves. Each blames the  
1095 other person for it. The lenders say that the regulators are  
1096 over-regulating and the regulators say that the banks are not  
1097 properly underwriting their loans. So it is a catch-22 and  
1098 caught in the middle is first the building and secondly the  
1099 homeowner, who then can't get a home built. Now, if by some  
1100 miracle the builder can build the home, then the difficulty  
1101 lies in being able to get that home financed, which includes  
1102 the lender willing to make the loan underwritten, which was  
1103 not in the case in the past. They were not properly  
1104 underwritten. Loans today are properly underwritten. You  
1105 can look at the GSEs, you can look at every single bank.  
1106 They are making money because they are properly underwriting  
1107 their loans. So it is important for us as builders to be  
1108 able to have access to financing to be able to build the



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1109 homes, the houses for people who want to buy the homes.

1110 Mr. {Matheson.} And would suggest there may be some

1111 role that Congress could play in trying to clarify this

1112 regulatory uncertainty that you were describing earlier?

1113 Mr. {Judson.} Yes. Thank you. There were two bills

1114 that have been presented, one on the House side and one on

1115 the Senate side, that address the specificity of what a

1116 regulatory responsibility should be. It clarifies some of

1117 the capital requirements that should have and could have to

1118 make qualified loans to the consumer or the builder, but the

1119 congressional responsibility, I think, lies in their ability

1120 to more directly engage the regulatory arena in what their

1121 real responsibilities and authorities are.

1122 Mr. {Matheson.} Okay. I appreciate that.

1123 Mr. {Judson.} Thank you.

1124 Mr. {Matheson.} Mr. Stevens, you mentioned in your

1125 testimony the challenge of the government policies that are

1126 picking winners and losers, and you specifically mentioned

1127 the renewable fuel standards mandate for biomass fuels as a

1128 policy that could hurt the long-term sustainability of

1129 forests. Can you expand on that and explain how the RFS

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1130 could hurt not only forest sustainability but also users of  
1131 forest resources and products?

1132 Mr. {Stevens.} It all comes back to the proposed  
1133 subsidies for renewable fuels. As an industry, for over 200  
1134 years the forest products industry has used trees for their  
1135 primary raw material and to produce the energy to run their  
1136 plants. For LP, an average OSB plant will produce 95 percent  
1137 of the energy from the wood waste from our products. What we  
1138 want is just a level playing field. We don't want any  
1139 subsidies. We want to play based on the economics of the use  
1140 of that wood and to be fair across the board.

1141 Mr. {Matheson.} Okay. I appreciate that. Mr.  
1142 Chairman, I will yield back.

1143 Mr. {Terry.} Thank you. I am out of order but I have  
1144 the gavel.

1145 It was interesting, a person that came to talk to me  
1146 talked about in the wood product industry how they are  
1147 producing solely to send woody biomass to Europe to meet  
1148 their renewable standards, so it is not lumber that is being  
1149 used in the United States but being milled and sent overseas.  
1150 I thought that was interesting.

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1151 I now recognize the vice chairman of the subcommittee,  
1152 Mr. Lance, for your 5 minutes.

1153 Mr. {Lance.} Thank you, Mr. Chairman. Good morning to  
1154 you all.

1155 In my home State of New Jersey, builders are reporting a  
1156 surge in unit construction over last year's figures, I  
1157 believe 22,000 new units this year. This is good news. Data  
1158 released by the National Association of Realtors shows growth  
1159 in the State's median residential real estate prices with  
1160 multi-family construction growing the fastest. This is a  
1161 first since the peak of the housing boom roughly a decade  
1162 ago.

1163 Of course, the market in New Jersey remains heavily  
1164 affected by Hurricane Sandy, and the lasting impact will be  
1165 felt for quite some time as the shore region of our State  
1166 continues to rebuild. The storm did, however, spur much-  
1167 needed new construction and renovations, boosting the lumber,  
1168 plumbing and electric industries in these areas.

1169 To Mr. Judson following up on what you had stated  
1170 previously, what do you think we can do best to untangle the  
1171 tangle that exists between those who wish to build and the

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1172 fact that there seems to be a reluctance on the part of those  
1173 who lend money to lend the appropriate amount of money?

1174 Before my service on this committee, I did serve on the  
1175 Financial Services Committee, and this is a continuing issue  
1176 both on that committee and on this committee. We have had  
1177 repeated testimony that banks are not lending appropriately.

1178 Mr. {Judson.} I testified before that committee, as you  
1179 probably know.

1180 Mr. {Lance.} Yes, sir.

1181 Mr. {Judson.} If I had the answers, I would have told  
1182 you then.

1183 Mr. {Lance.} Yes, sir.

1184 Mr. {Judson.} But I am learning as this goes along--

1185 Mr. {Lance.} As are we.

1186 Mr. {Judson.} --it is an unfolding issue. I would go  
1187 back to the specificity and the clear underwriting  
1188 requirements for lenders. The banks had a knee-jerk  
1189 reaction. I think this whole scenario was much of a knee  
1190 jerk because of the dilemma that started several years ago  
1191 with foreclosures and poorly underwritten loans. So it would  
1192 start, I think, with a direction from Congress, Financial

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1193 Services to the regulatory environment, working with lenders  
1194 to support the home building industry, allowing them more  
1195 latitude on the capitalization rates that they have. These  
1196 have been suggestions that are current written into law have  
1197 been taken as mandates that you cannot go over certain limits  
1198 where as the community banks are now being literally put out  
1199 of business from the construction lending standpoint.

1200 Mr. {Lance.} The community banks had absolutely nothing  
1201 to do with the financial meltdown, as you know better than I.  
1202 They were good actors in this whole process, and from my  
1203 perspective, they are scared to death by over-regulation here  
1204 in Washington, especially after the passage of Dodd-Frank,  
1205 for which I certainly did not vote. But be that as it may,  
1206 we all want a better environment so that the American people  
1207 can purchase the new residential real estate, and there is a  
1208 pent-up demand in my judgment, and we are discouraged because  
1209 we feel that is important for the progress of the economics  
1210 of the Nation that this occur. Do you believe that we should  
1211 revisit statutory law or simply require the agencies that  
1212 administer current statutory law to do a better job?

1213 Mr. {Judson.} That is a good question. It is probably

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1214 some of both. The statutory guidelines could be specifically  
1215 identified to address some of the concerns. I keep going  
1216 back to the capitalization. But the willingness, almost  
1217 encouragement, we spoke with Mr. Bernanke a couple of times  
1218 and his term of the pendulum having swung too far I think is  
1219 an accurate term.

1220 Mr. {Lance.} Yes, sir. Thank you. Are there others on  
1221 the panel who wish to address the issue I have raised?  
1222 Hearing none, I yield back the 40 seconds I have, Mr.  
1223 Chairman.

1224 Mr. {Terry.} Very good. The chair recognizes the  
1225 gentleman from California, Mr. McNerney, for 5 minutes.

1226 Mr. {McNerney.} Well, thank you, Mr. Chairman. My  
1227 daddy was a home builder, so I appreciate the work that you  
1228 all do, and I appreciate also how important home building is  
1229 to our national economy not only in terms of employment but  
1230 in terms of just giving people confidence in the economy and  
1231 their spending and so on, so thank you for coming this  
1232 morning. Thank you for passion.

1233 I understand about 40 percent of our Nation's energy is  
1234 used by buildings. Of course, part of that is by commercial

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1235 buildings and part of that is by home buildings, but I am  
1236 very interested in energy-efficiency housing. So I would  
1237 like to address my first question to Mr. Nadel. How much  
1238 specialized training is required by the workers to produce  
1239 high-efficiency, even net-zero housing as opposed to what  
1240 would be required in terms of the building materials to  
1241 accomplish those goals?

1242 Mr. {Nadel.} It will vary depending on the technique  
1243 employed but generally it will require some extra training in  
1244 terms of a very careful installation to prevent air leakage  
1245 and whatnot, how to install some of the new materials, but it  
1246 is not dramatic. There are usually short training courses  
1247 available to help people get certified in doing these types  
1248 of techniques.

1249 Mr. {McNerney.} Well, how much does it cost, say, to  
1250 build a net-zero home compared to a standard home?

1251 Mr. {Nadel.} I don't recall for a net-zero home. For a  
1252 home--

1253 Mr. {McNerney.} For a high-efficiency home.

1254 Mr. {Nadel.} For a high-efficiency home that uses half  
1255 the energy of a typical new home, the estimates range

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1256 anywhere from \$1,000 to \$4,000 or \$5,000, depending on the  
1257 type of home and who does the estimate, but these are for  
1258 homes that cost hundreds of thousands of dollars.

1259 Mr. {McNerney.} That sounds like a pretty good bargain.  
1260 Does anyone else care to address the question that I posed  
1261 about training requirements?

1262 Mr. {Kubat.} This could be just a little different spin  
1263 on it, Congressman, but a comment that maybe goes back a  
1264 little bit to Ms. Blackburn too, but I had talked about over-  
1265 regulation and the difference in regulation. In our  
1266 manufacturing plant, which is a little bit different than  
1267 residential, there is an OSHA standard for air quality. In  
1268 the State of Ohio, the Ohio EPA also has a standard for air  
1269 quality, and I don't know if the Ohio EPA standard is based  
1270 off of a federal EPA standard but it is significantly less  
1271 than the OSHA EPA standard. So our plant more than meets the  
1272 OSHA EPA standard but did not meet the Ohio EPA standard, and  
1273 as a result of that, the Ohio EPA, I am going to use the word  
1274 ``mandated'', which could be a little strong because there  
1275 wasn't another solution that was--and a waiver was not  
1276 available--that we are expelling in the winter time about 20



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1277 percent of the heated air in that plant out of the plant just  
1278 out stacks into the atmosphere to meet the air standard of  
1279 the Ohio EPA, and I think this question of, you know, where  
1280 is the regulatory balance, how do we get to an OSHA standard  
1281 that says we have also met versus an EPA standard, and I am  
1282 going to call it Ohio EPA standard that we are not meeting,  
1283 and the solution is take 20 percent of your heat out of your  
1284 plant and--

1285       Mr. {McNerney.} Mr. Kubat, I appreciate your concern.  
1286 Do you have legislative suggestions to alleviate this burden  
1287 that would also ensure safety and quality of the product? Do  
1288 you have any specific suggestions or are you just saying the  
1289 regulations are bad?

1290       Mr. {Kubat.} I am not an engineer. I can't understand  
1291 why there is an OSHA standard that we can meet and an Ohio  
1292 standard that says it has to be significantly more, I am  
1293 going to say more restrictive, and why is one so different  
1294 than the other? I am not an engineer that can answer it  
1295 other than they told me the answer is take 20 percent of the  
1296 hot air out of your plant and blow it out into the sky.

1297       Mr. {McNerney.} Well, I appreciate your concern.

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1298 Perhaps some legislative suggestions would be more helpful  
1299 than just saying that you don't like the current regime. Is  
1300 Phillips Manufacturing producing energy-efficient components  
1301 for new housing?

1302 Mr. {Kubat.} The materials that we produce are used as  
1303 part of building construction. They are not necessarily a  
1304 direct energy-efficient component. It is raw form metal  
1305 steel, and steel itself is not an item which would create an  
1306 insulation or an energy barrier.

1307 Mr. {McNerney.} Thank you. Mr. Martin, you mentioned  
1308 the difficulty finding labor. You know, given the high  
1309 unemployment in the last few years, do you have any way to  
1310 explain why we are still having labor shortages in specific  
1311 areas?

1312 Mr. {Martin.} Well, in Texas specifically, the  
1313 unemployment is down mainly because of the energy sector and  
1314 the two big oil plays, Eagle Ford shale and the Mill and  
1315 Odessa play. So in Texas, we have a real problem because the  
1316 oil industry is paying so much for their workers that they  
1317 are leaving construction and going into energy. So that is  
1318 our problem.

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1319 Mr. {McNerney.} At least locally?

1320 Mr. {Martin.} Yes.

1321 Mr. {McNerney.} Thank you, Mr. Chairman. I will yield  
1322 back.

1323 Mr. {Terry.} Thank you, Jerry. And now I will  
1324 recognize the gentleman from Texas, Mr. Olson, for 5 minutes.

1325 Mr. {Olson.} I thank the chair, and welcome to our  
1326 panelists. As you know, this is the Subcommittee on  
1327 Commerce, Manufacturing, and Trade, CMT. I assume I am  
1328 speaking for Mr. Martin, we should change that to mean Come  
1329 Move to Texas.

1330 Mr. {Terry.} I object.

1331 Mr. {Olson.} I have a question for all of you if I have  
1332 time, but first of all, I would like answers from Mr. Martin  
1333 and Mr. Judson. Clearly, I know I am blessed living in Texas  
1334 22. Right now, at least 100 new homes are being built within  
1335 2 miles of my home in Sugar Land, Texas. The sounds of  
1336 cement trucks, of hammers hitting nails at 7:00 in the  
1337 morning are commonplace. But that growth we are experiencing  
1338 in Texas is threatened by a shortage of labor. I know it is  
1339 hard to find qualified workers. Mr. Martin mentioned

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1340 unskilled workers such as framers, flooring personnel, HVAC,  
1341 plumbers, painters, bricklayers, and the lure of the high-  
1342 paying, low-skilled construction jobs is long gone. When I  
1343 was growing up in the 1980s an 18-year-old, I could not get a  
1344 construction job, and I craved a construction job. Those  
1345 jobs paid six-plus dollars an hour compared to working  
1346 minimum wage in some restaurant for just a little over two  
1347 bucks and change. I mean, I wanted to get in that hot,  
1348 boiling Texas sun with that asphalt, spread that wherever  
1349 that needed to go because I am getting paid six bucks an  
1350 hour. I love my 13-year-old son but his generation won't  
1351 make that choice. The work is too tough. I know that  
1352 immigration reform is part of the solution but we have proven  
1353 we can't tailor our economic needs with our immigration  
1354 policies. Somehow we have to get American kids interested in  
1355 these jobs again.

1356       So my question is, what can we do to encourage our youth  
1357 to get involved in these jobs again started in the high  
1358 school and community colleges? What can we do? Mr. Martin,  
1359 you are first up, sir.

1360       Mr. {Martin.} As I said earlier, right now on Governor

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1361 Perry's desk is H.B. 5, which is reforming our school system  
1362 to allow for vocational training, and I think that will go a  
1363 long way to start helping. The problem is, as I said  
1364 earlier, right now the average age for a plumber,  
1365 electrician, HVAC technician is in the upper 50s, so they are  
1366 getting closer to retirement age and there is this huge gap  
1367 of the skilled workforce that we are going to have contending  
1368 with as we try to bring these young high school kids and  
1369 right-out-of-high-school kids up into the trades and get them  
1370 trained so they can make a good living despite the lure of  
1371 the oil and gas industry, but I think you have got to start  
1372 this vocational training that we have in Texas had for 10  
1373 years.

1374 Mr. {Olson.} Yes, and growing up, I took shop, wood  
1375 shop, in 8th grade. Now seniors in high school is the first  
1376 chance you have to take wood shop. Look, I have got all 10  
1377 fingers. It was safe. I learned a lot.

1378 Mr. Judson, a national perspective. What can we do to  
1379 get gets excited about these jobs again, get American working  
1380 in the construction industry?

1381 Mr. {Judson.} The educational training is the key,

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1382 whether it be through the Home Builder Institute--I mentioned  
1383 earlier about the deglamorization that has taken place for  
1384 this industry. Kids coming out of high school do not want to  
1385 go into the construction industry. It is a respected trade.  
1386 It has been for years when we were coming up and working in  
1387 the construction trade industry. It is now perceived that  
1388 way now. I think there is a perception in the industry and  
1389 some things that we as an industry need to do to indicate  
1390 that it is a respected trade and it can be an industry that  
1391 will foster from a beginning as a bricklayer to running a  
1392 bricklaying crew. If our average member has 10 or so  
1393 employees, that is a painting crew, that is a drywall crew,  
1394 but until the high school student recognizes that is an  
1395 opportunity for him to advance himself in his own career, it  
1396 won't happen.

1397 Mr. {Olson.} And Mr. Kubat from Phillips Manufacturing  
1398 perspective, running out of time but what can we do to  
1399 encourage our kids to get that education?

1400 Mr. {Kubat.} Well, I am going to go back to my prepared  
1401 comments. I think it is a question that somewhere over time,  
1402 however it was generated, the educational system has

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1403 encouraged everyone to prepare for a college education, and  
1404 not all people should be going to college. Some people have  
1405 natural skills. Some people are born musicians, some people  
1406 maybe have math skills. Maybe some people are born to be a  
1407 doctor. But there are a lot of people that are born to be  
1408 plumbers, electricians, I am going to call it tool-and-die  
1409 craftsmen, but there is no opportunity for them to get  
1410 trained, least in the experiences that we are seeing in the  
1411 States that we operate in, either in the high school or the  
1412 community colleges, and somehow we have to get that back into  
1413 the system so that they see that these opportunities are  
1414 there, and the level of unemployment we have now compared to  
1415 the jobs that are available are simply people who do not have  
1416 the skills or a place to go for training other than on-the-  
1417 job training or employer-provided training to learn these  
1418 trades. We have got to get it back to where it comes in at a  
1419 much younger level. I am going to go back, and as you  
1420 referred to, Congressman, as the shop classes that started in  
1421 the high schools and then were continued in the community  
1422 colleges and network those with manufacturers and contractors  
1423 so that they can get credit while they work out on the job.

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1424 Most of us learned a lot of what we learned not necessarily  
1425 in school but on-the-job training when we got out of school,  
1426 whether that was part of what we are doing in white-collar  
1427 work or what people were doing in blue-collar work. Somehow  
1428 we have got to get businesses, contractors to interact with  
1429 the schools and get people back into training that will  
1430 provide them a long-term skill and a long-term opportunity  
1431 for compensation and retirement.

1432 Mr. {Olson.} I am way over my time so I yield back, Mr.  
1433 Chairman. Mr. Stevens, Mr. Bozzuto and Mr. Nadel, I will get  
1434 you those questions for the record. Thank you, Mr. Chairman.

1435 Mr. {Terry.} All right. Mr. McKinley, you are  
1436 recognized for 5 minutes.

1437 Mr. {McKinley.} Thank you, Mr. Chairman. And Mr.  
1438 Nadel, thank you very much for talking about our Energy  
1439 Savings Act. I hope that we will get adequate consideration  
1440 and we will get that bill worked.

1441 But perhaps my remarks should have been in an opening  
1442 statement but I come from the construction industry. I  
1443 started in construction in 1965, and I had a home building  
1444 company over 40 years ago I started that, so I come with some



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1445 degree of awareness of what we are talking about here. But  
1446 the concern I have not heard voiced strongly enough, maybe it  
1447 is not your fault but I want to hear some direction. How are  
1448 we going to get affordable housing for middle-class Americans  
1449 and low-paid people across this country? I am looking for  
1450 something in the \$125,000 to \$175,000 range. How are we  
1451 going to achieve that in new homes or are we going to tell  
1452 our American citizens they are not entitled to a new home,  
1453 they have to buy an older home and renovate it? I am really  
1454 curious about where we are going as a country when we are  
1455 dividing our major urban centers against rural America, and  
1456 rural America cannot afford \$300,000 and \$400,000 homes when  
1457 they are on an income that may be only \$40,000 a year. So I  
1458 am really curious. I hear the issues that you are talking  
1459 about and I have experienced as a contractor, an engineer, an  
1460 architect. I understand all those aspects. But I want to  
1461 see from the other perspective, what are we doing for the  
1462 people to give them homes that they can afford. Yes, sir.

1463 Mr. {Bozzuto.} Mr. McKinley, I think perhaps we haven't  
1464 been as clear. When we object to regulation or express  
1465 concerns about regulation, there is an unstated bias behind

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1466 that, which is that our goal is to provide in the apartment  
1467 industry is clearly the most affordable form of housing that  
1468 can be built, but every time a regulation is mandated, no  
1469 matter how meritorious, there is a cost implication that we  
1470 end up having to put on, and this tradeoff that you have so  
1471 appropriately pointed out is the one that is a struggle for  
1472 us all of us in our industry. None of us want to see energy  
1473 consumed unwisely. None of us want to design buildings that  
1474 are not accessible to everyone. And yet every time a new law  
1475 or regulation is enacted, whether at the federal level, the  
1476 local level or the State level, or all together, it adds to  
1477 the costs, making it more difficult for our industry to make  
1478 housing affordable.

1479       Mr. {McKinley.} Are there responses from some of the  
1480 others as to how we might be able to achieve more affordable  
1481 housing? I really don't want to get a point that we tell  
1482 middle-class America they are not entitled to a new home,  
1483 they can't afford one, they have to buy an older home and fix  
1484 it up. I think everyone in America, I would love to see them  
1485 be able to reach out so that they can have a new home. I can  
1486 remember the first home I built was affordable housing,

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1487 \$30,125. People could afford that. Yes, sir?

1488 Mr. {Judson.} I would echo Mr. Bozzuto's comments about  
1489 regulation. It accounts for somewhere between 18 and 20  
1490 percent of the cost of a home, and that is not to say that  
1491 all regulation is bad or that all codes are bad because they  
1492 certainly are not. We support things from quality and safety  
1493 to the energy efficiency but there is a point of diminishing  
1494 return on all those components. We think a commonsense  
1495 approach needs to be taken. We think that the bureaucrat  
1496 regulators, and I say that with all due affection, need to  
1497 use some common sense when you are adding, 10, 15, 20 percent  
1498 to a house and it is not a function of soundness or safety  
1499 and maybe it is not as necessary as what you might think.  
1500 You have got 20 percent to the cost of the land. If there  
1501 were some leniencies allowed for affordable housing when you  
1502 are developing a piece of property and you could do it for  
1503 half of that cost, you have cut 10 percent out of the cost of  
1504 the production of that house. So there are a lot of small  
1505 components that could go into reducing that \$130,000 house to  
1506 \$100,000 if that is what you had the cooperation in  
1507 generating.

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1508           Mr. {Terry.} All right. The gentleman's time is  
1509 expired. The chair recognizes Mr. Johnson from Ohio.

1510           Mr. {Johnson.} Thank you, Mr. Chairman. I associate  
1511 myself with the comments that some of my other colleagues  
1512 have made. The American dream for millions of Americans is  
1513 embodied in the idea of owning their own home, of finally  
1514 putting a stake in the ground and saying this is my domain,  
1515 this is my family, this is where we are going to plant our  
1516 roots. And so this hearing that showcases the importance of  
1517 the housing and rental market I think is extremely important  
1518 to the American people. There is no doubt that the housing  
1519 market is one of the main drivers of our economy, one of the  
1520 main indicators as to the health of our economy as a whole,  
1521 and we should do everything in our power to help not only  
1522 these gentlemen and their companies sitting at this table but  
1523 those all over the country have the resources and the  
1524 ability, the tools that they need to help the millions of  
1525 Americans find housing, build that home, enjoy the American  
1526 dream and at the same time create the millions of jobs that  
1527 are in the waiting.

1528           My first question is for Mr. Judson. There have been a

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1529 number of articulates lately talking about rising building-  
1530 material costs. What obstacles are builders facing in terms  
1531 of obtaining necessary building materials to complete their  
1532 projects?

1533       Mr. {Judson.} It is unfortunately a supply-demand  
1534 scenario that is not uncommon. As was pointed out by Mr.  
1535 Stevens, they had shuttered plants. The productive capacity  
1536 has been diminished, and now that the industry is picking up  
1537 again, it is a catch-up between building materials and the  
1538 price but the prices escalate so dramatically as would be  
1539 expected. It is not a price-gouging issue, it is just a  
1540 supply-demand agreement between buyer and seller. But as was  
1541 pointed out, if plants are operating more efficiently, if  
1542 they can be brought on a little quicker, we can minimize the  
1543 peaks and valleys in those cycles.

1544       Mr. {Johnson.} Are there any actions that you think  
1545 Congress should take to try to help resolve that problem?

1546       Mr. {Judson.} From what I have heard today and what I  
1547 have heard around the industry as I travel in the country is,  
1548 the regulation for starting back up some of these plants is  
1549 different than it might have been when those plants were

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1550 built 5 years ago. So to have to operate to a new standard  
1551 creates some hardship for them financially and creates some  
1552 time delays in bringing that product back online.

1553 Mr. {Johnson.} Now you are talking about regulatory  
1554 reform again.

1555 Mr. {Judson.} Yes, sir, I am.

1556 Mr. {Johnson.} And I agree with you. I am not saying  
1557 that in a negative way. I agree with you. Every time a new  
1558 regulation comes out that stymies the industry, that puts a  
1559 plant out of business, even a new owner that might come in  
1560 and try to start that back up, it takes more money, more  
1561 time. You lose a lot of the intellectual property of the  
1562 workforce, and it is a problem.

1563 What about on the soft side, the money side? I hear  
1564 another common concern from home builders, realtors and  
1565 potential home buyers the inability of obtaining loans and  
1566 financing. Now, we all know that there was a serious problem  
1567 in the last decade of predatory loan making and people taking  
1568 out loans for which they simply could not meet their  
1569 obligations. However, it now seems that perhaps Congress and  
1570 federal regulators have overcorrected these mistakes and are

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1571 stopping qualified home buyers from obtaining the funds they  
1572 need. You addressed this in your testimony as well as your  
1573 opinion that the issue is ripe for Congressional action. Can  
1574 you talk a little bit more about that? What do you think we  
1575 ought to do?

1576 Mr. {Judson.} Well, the two bills that have been  
1577 introduced already are solid bills. They have bipartisan  
1578 support, and I don't recall off the top, but I think it is  
1579 Senate Bill 1002 and maybe the House 1255, but they both are  
1580 pragmatic, they are both logical in their approach and again,  
1581 as I mentioned, they are bipartisan. I think if there is  
1582 lending available to the builders, then the houses can be  
1583 built at a more affordable cost because builders now are  
1584 paying almost a usurious rate for funding, to get funding.  
1585 They are not getting it through the lending institutions that  
1586 we traditionally were afforded.

1587 Mr. {Johnson.} One more quick question in my remaining  
1588 time. What would the Wood MACT rule, the EPA's proposed Wood  
1589 MACT rule, how that would affect you folks? Mr. Stevens?

1590 Mr. {Stevens.} In my testimony, what I said is, the  
1591 current version of the Wood MACT would cost LP about \$13

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1592 million with really no improvement in technology or in  
1593 productivity.

1594 Mr. {Johnson.} And basically that is going to cost  
1595 jobs, that is going to cost passing on costs to your  
1596 customers. I mean, that money doesn't come out of thin air,  
1597 right?

1598 Mr. {Stevens.} It is going to increase--not only do we  
1599 have a \$13 million capital expenditure but also increase our  
1600 use of natural gas.

1601 Mr. {Johnson.} Mr. Chairman, thank you. I yield back.

1602 Mr. {Terry.} Thank you. The gentleman's time is  
1603 expired. Now the gentleman from Florida is recognized for 5  
1604 minutes.

1605 Mr. {Bilirakis.} Thank you, Mr. Chairman. I appreciate  
1606 it very much, and I thank the panel for their testimony, and  
1607 this question actually goes to the entire panel, whoever  
1608 would like to respond.

1609 In recent months, sales of single-family homes in the  
1610 Tampa Bay area, St. Petersburg, Clearwater and Tampa, that  
1611 area, have risen by more than 17 percent. Throughout the  
1612 entire State of Florida, sales have been up by almost 10



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1613 percent. While this is good news, many analysts have  
1614 suggested that most of these sales are being made to cash  
1615 investors, and I see that as well. To what extent does new  
1616 home construction follow the trends in the larger real estate  
1617 market? Who would like to go first?

1618 Mr. {Judson.} I will be glad to start. We go back to  
1619 that supply-demand scenario. Florida was the epicenter of  
1620 foreclosure, so the people are going in now to gobble up  
1621 these houses and pay cash for them, many times from an  
1622 investor standpoint. But as that supply diminishes, you are  
1623 going to see new construction follow suit because you still  
1624 have that pent-up demand. More families are being created.  
1625 About 40 percent of the homes sold in this country are first-  
1626 time buyers. So as those people are beginning to go into the  
1627 market to look for homes and there is nothing available, new  
1628 homes will be built, and if financing is available, not only  
1629 for the construction process but for their permanent  
1630 financing, then the economy will start again.

1631 Mr. {Bilirakis.} Very good. Anyone else? Thank you  
1632 very much.

1633 Next question. This is for Mr. Bozzuto. You urged

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1634 Congress to insist that any new rules from HUD or EPA or DOE  
1635 have demonstrable benefits that justify the costs of  
1636 compliance. Can you identify any current or proposed rules  
1637 that do not meet that standard in your eyes?

1638 Mr. {Bozzuto.} Well, I guess I will cite a recent HUD  
1639 rule where HUD has changed the lending limits and requiring  
1640 that on larger loans, the amount of equity that is required  
1641 from the developer has to be significantly different, greater  
1642 than it had been previously, yet this change was done absent  
1643 any experience with loans of that nature having gotten in  
1644 trouble. So it is the kind of thing that has major impacts  
1645 on the industry, particularly if one was in the middle of the  
1646 process. I suspect if I had 24 hours I probably could come  
1647 up with 100 examples of rules and regulations that are in the  
1648 nature of having been imposed because they were good ideas  
1649 but not having any real benefit economically that justifies  
1650 the costs associated with them.

1651 Mr. {Bilirakis.} Thank you. Anyone else want to jump  
1652 in? Well, thank you very much, Mr. Chairman. I appreciate  
1653 it. I yield back my time.

1654 Mr. {Terry.} Thank you, Mr. Bilirakis. Now, Mr.

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1655 Bozzuto, you don't have a question because we are done, but  
1656 one of the things that we get to do as Members of Congress is  
1657 to submit questions to you to answer. Mr. Nadel, you didn't  
1658 have an opportunity to provide additional comments when we  
1659 were talking about energy efficiency. You can guarantee I  
1660 will submit a question, so you can provide that answer. Mr.  
1661 Bozzuto, we will probably ask you a question giving you that  
1662 opportunity to those list hundred examples. You may not have  
1663 to be 100 but some good examples. Thank you.

1664 And for those folks that we submit a written question to  
1665 you, we would appreciate a timely answer. Timely would be  
1666 within a few days for me, for some folks it could be 6 months  
1667 but I prefer a week or two, okay? I would appreciate the  
1668 timely answer. You guys were excellent. All of you provided  
1669 us good insight on a variety of different topics, and you are  
1670 now excused. We are going to take a couple of minutes while  
1671 we switch panels here, and you will see some work on our  
1672 microphones. We have learned in our backroom, they couldn't  
1673 hear the witnesses. So we are going to see why that is  
1674 occurring. So thank you all. You are dismissed.

1675 Again, I will ask unanimous consent to let Mr. Welch

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1676 speak for 1 minute. Hearing none, you are recognized. The  
1677 gentleman from Vermont is recognized.

1678 Mr. {Welch.} First of all, I thank the chairman, but I  
1679 want to reassure the panel that you will be treated much  
1680 better than I was when I arrived.

1681 I want to thank everybody for coming but I especially  
1682 want to thank Ludy Biddle from NeighborWorks, who has been  
1683 doing this incredible job in Vermont getting energy  
1684 efficiency out into the remotest parts of a rural county and  
1685 an old urban city, a city we are very proud of, Rutland, and  
1686 the thing that has been so exciting, Ludy, to watch your work  
1687 was, it is regular people getting out and making direct  
1688 contact with homeowners and wading through all the  
1689 challenges, financial and practical, that they face to make  
1690 that decision to retrofit their homes.

1691 Mr. Chairman, I was down one time visiting some homes  
1692 that they have worked on but then I went into this class  
1693 where there were all these folks who were laid out because of  
1694 the housing collapse. This was a few years ago. And they  
1695 were learning about how they could use their skills to do  
1696 something in their neighborhood to save their neighbors money

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1697 and get them back earning cash. So it has been so tremendous  
1698 to see the implementation of an idea. You know, we talk a  
1699 lot around here but you all do get things done, and we really  
1700 appreciate it. So thank you so much for being very proud and  
1701 I am very proud of all the work that you and your team have  
1702 accomplished.

1703 Mr. {Terry.} Thank you, Mr. Welch. Now the rest of you  
1704 probably won't have as glaring an introduction as glowing as  
1705 that one was, but Ms. Biddle, you deserve that, especially as  
1706 being our only woman panelist today, so I appreciate you  
1707 being here.

1708 So by introductions, I am going to go down as I did  
1709 before, and when you start to speak and are recognized, I  
1710 will give you your introduction, so Mr. Robinson, Buddy, is  
1711 Senior Vice President, General Counsel and Corporate  
1712 Secretary for Kohler Company, who I think we have a few of  
1713 your products in our house.

1714 Mr. {Robinson.} I am glad to hear it.

1715 Mr. {Terry.} And so you are now recognized for 5  
1716 minutes.

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1717 ^STATEMENTS OF JAMES M. ``BUDDY'' ROBINSON, IV, SENIOR VICE  
1718 PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY, KOHLER  
1719 COMPANY; WILLIAM SHAW, FOUNDER, WILLIAM SHAW AND ASSOCIATES;  
1720 MARK WILHELMS, VICE PRESIDENT OF ARCHITECTURAL SALES, MIDWEST  
1721 BRICK AND BLOCK; LUDY BIDDLE, EXECUTIVE DIRECTOR,  
1722 NEIGHBORWORKS OF WESTERN VERMONT; AND BRIAN BOVIO, OPERATIONS  
1723 MANAGER, BOVIO ADVANCED COMFORT AND ENERGY SOLUTIONS

|

1724 ^STATEMENT OF JAMES M. ROBINSON, IV

1725 } Mr. {Robinson.} Thank you, Mr. Chairman and members of  
1726 the subcommittee. I am Buddy Robinson, I am with Kohler  
1727 Company, and I thank you for the opportunity to present  
1728 Kohler Company's perspective on the current housing situation  
1729 in the United States and prospects for its future.

1730 Although housing starts may exceed a million for 2013,  
1731 no one in the industry would claim this is a robust market by  
1732 historic standards. It is well below the 2 million starts we  
1733 experienced in 2005 but, thankfully, it is appreciably above  
1734 the 500,000 starts at the bottom in 2009.

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1735           Kohler Company has played an important role in housing  
1736 for more than a century. We will celebrate actually our  
1737 140th anniversary later this year. John Michael Kohler, an  
1738 Austrian immigrant, came to Wisconsin, bought a farm  
1739 implements company making cast-iron and steel implements in  
1740 1873. He took a product out his line, heated it up to 1,700  
1741 degrees Fahrenheit. He put a bunch of enamel frit on it and  
1742 he took a picture, he put in his catalog and he said of the  
1743 product, it would work as a horse trough or hog scalding, that  
1744 when furnished with four legs will serve as a bathtub, and  
1745 thus Kohler got into the bath business.

1746           So Kohler ideas, craftsmanship and technology are at  
1747 work all around the world. We currently have four corporate  
1748 groups: kitchen and bath, power, interiors and hospitality.  
1749 We employ more than 30,000 associates. We have operations  
1750 including more than 50 manufacturing facilities and we sell  
1751 our products literally on every continent.

1752           Generally speaking, Kohler Company is bullish on the  
1753 prospects for continued recovery and growth in the housing  
1754 market. However, there are a number of economic obstacles  
1755 and federal policies confronting America that could detail

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1756 our rosy outlook. I will turn to a few of those now.

1757 First, home buyers and remodelers need access to  
1758 affordable financing. Simply put, we need policies that  
1759 encourage private institutions to participate in the home  
1760 finance market. We need clarity in rules and regulations  
1761 surrounding lending standards. We need consistent regulation  
1762 and certification of appraisers and a greater general  
1763 sensitivity in Washington toward burdensome processes that  
1764 add time and cost without meaningful benefit to the mortgage  
1765 finance market.

1766 Secondly, we need national water-use standards based on  
1767 science. Patchwork regulations applied selectively create  
1768 unreasonable burdens on enterprises and they virtually  
1769 guarantee a race to the lowest water usage levels regardless  
1770 of good science or maximum efficiency. Kohler wholeheartedly  
1771 supports the EPA Water Sense program. This is a public-  
1772 private partnership promoting water efficiency, and it is  
1773 working well. It deserves congressional funding. EPA  
1774 reports that Water Sense-labeled products have helped  
1775 Americans save \$287 billion gallons of water. That is \$4.7  
1776 billion in water and energy bills, you know, avoided. And we



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1777 are proud to have been named EPA Water Sense Manufacturing  
1778 Partner of the Year three times since the program was  
1779 launched in 2008 including this past year in 2012.

1780 Thirdly, we need policies that build the skilled and  
1781 unskilled workforce. Kohler Company supports the intent of  
1782 the comprehensive immigration reform pending in the Senate.  
1783 It is overdue. As we face growing shortages in plumbers and  
1784 other skilled trades, government should be doing what it can  
1785 to support vocational and trade schools as well as supporting  
1786 qualified apprenticeship programs. Furthermore, we need to  
1787 offer work visas to all who graduate from U.S. colleges and  
1788 universities, particularly those with science and engineering  
1789 degrees.

1790 And finally, there needs to be greater sensitivity in  
1791 government to rules and regulations that drive up  
1792 manufacturing costs. Often we do not have sufficient lead  
1793 time to prepare for oncoming regulations. In other cases,  
1794 good science is missing and decisions are based on faulty or  
1795 incomplete studies. In still other instances, contradictions  
1796 occur between and among federal agencies that share  
1797 regulatory responsibilities.

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1798           So in conclusion, housing has pulled the U.S. economy  
1799 out of every recession since the Great Depression. It  
1800 remains critically important that governments at all levels  
1801 help create and support an environment conducive to home  
1802 building. Kohler Company's success illustrates what  
1803 industrious immigrants can accomplish through the free  
1804 enterprise system and a healthy housing sector.

1805           I thank you for this opportunity and look forward to  
1806 your questions.

1807           [The prepared statement of Mr. Robinson follows:]

1808           \*\*\*\*\* INSERT 7 \*\*\*\*\*

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|

1809           Mr. {Terry.} Thank you for your testimony.

1810           Now, Mr. Shaw, you are the founder of William Shaw and

1811 Associates, and we look forward to your testimony.

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|

1812 ^STATEMENT OF WILLIAM SHAW

1813 } Mr. {Shaw.} Thank you. I appreciate the opportunity to  
1814 testify this morning, Chairman Terry and members of the  
1815 panel. My name is Bill Shaw. I am the founder of William  
1816 Shaw and Associates. We are a design-build-remodeling  
1817 company located in the great State of Houston, Texas.

1818 Few industries have struggled more during the Great  
1819 Recession than the home building industry. While remodelers  
1820 have not experienced the extreme highs and lows like single-  
1821 family home building, the remodeling industry has struggled  
1822 over the last few years. However, predictions indicate a  
1823 very gradual yet steady recovery. Fortunately, predictions--  
1824 remodeling is an industry right now that is heavily  
1825 regulated, and given the regulatory environment we face as an  
1826 industry and as small businesses, I would like to share with  
1827 you my thoughts on some key regulations that could hamper our  
1828 recovery.

1829 Recent amendments and changes to EPA's Lead Renovation,  
1830 Repair and Painting rule are already constraining our

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1831 businesses. The final rule, which took effect over 3 years  
1832 ago, requires renovation work that disturbs more than 6  
1833 square feet in a home built prior to 1978 to follow the new  
1834 Lead Safe Work Practices. Poor implementation of the rule by  
1835 the EPA has resulted in considerable compliance costs and has  
1836 hindered both growth and energy efficiency upgrades in older  
1837 homes. The first important change to the RRP was the  
1838 elimination of a consumer's ability to waive compliance if no  
1839 children under 6 or a pregnant woman resides in the home,  
1840 also known as the opt-out provision. This change dismantled  
1841 everything EPA originally included in the rule to ensure that  
1842 it was not overly costly to small businesses. For small  
1843 contractors, these additional costs have to be passed on to  
1844 the consumer, which increases the chances that the consumer  
1845 will hire another likely uncertified contractor do the work  
1846 or, what we are finding a lot in Houston, they are going to  
1847 do the work themselves, which may increase the likelihood of  
1848 disturbing lead-based paint.

1849 The 2008 RRP also relied on a new lead test kit. The  
1850 EPA expected the more accurate test kit to be commercially  
1851 available by the time the rule went into effect. Three years

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1852 later, we still don't have a new test kit, and the old test  
1853 kids can produce up to a 60 percent false positives, meaning  
1854 that in many cases, consumers are needlessly paying  
1855 additional compliance costs. We believe the EPA should  
1856 reopen the rule and redo their cost-benefit analysis.

1857 Another challenge we face is with green remodeling. The  
1858 green remodeling trend is growing quickly, and I myself am a  
1859 certified green professional. But one of the major barriers  
1860 to investing in green construction is that appraisals often  
1861 do not reflect the increase in construction costs or the  
1862 value of future energy savings. If my customers cannot  
1863 realize this value, they won't seek green upgrades.

1864 Voluntary green building rating systems, though, have helped  
1865 demystify the value of green. While there are many in the  
1866 market, the ANCI-approved ICC 7000 national green building  
1867 standard is widely used in residential construction. This  
1868 standard focuses on energy efficiency, water and resource  
1869 conservation, and more. There are minimal requirements in  
1870 each of these categories. It also features an entire section  
1871 dedicated to remodeling, a key to addressing the  
1872 inefficiencies found in older buildings which are the real

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1873 gas guzzlers of the build environment. Federal buildings  
1874 must now meet green standards, but unfortunately, only one  
1875 system is allowed: LEED. LEED is not a consensus standard.  
1876 Agencies are required to use these standards because they  
1877 allow for all relevant stakeholders to participate while also  
1878 protecting against special-interest groups hoping to  
1879 prioritize one particular product or technique. Second,  
1880 giving one priority organization a monopoly does not promote  
1881 innovation or cost-effective decision-making. Different  
1882 rating systems may also be better suited for certain project  
1883 types. Lastly, no standalone residential green standard was  
1884 reviewed, even though 16 percent of the federal portfolio is  
1885 residential space. GSA is currently reviewing this policy,  
1886 and I hope their recommendation allows choice.

1887 Thank you for the opportunity to testify today and I  
1888 look forward to your questions.

1889 [The prepared statement of Mr. Shaw follows:]

1890 \*\*\*\*\* INSERT 8 \*\*\*\*\*

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|

1891           Mr. {Terry.} Thank you.

1892           Mr. Wilhelms, the Vice President of Architectural Sales,  
1893 Midwest Brick and Block, I appreciate you being here, and you  
1894 are recognized for 5 minutes.



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|

1895 ^STATEMENT OF MARK WILHELMS

1896 } Mr. {Wilhelms.} Thank you. On behalf of our company  
1897 and the concrete masonry industry, I would like to thank you  
1898 for providing us this opportunity to share our perspective on  
1899 the importance of a healthy home building industry. My name  
1900 is Mark Wilhelms and I am Vice President of Architectural  
1901 Sales for Midwest Block and Brick. Our family business  
1902 employs over 275 full-time employees at our 21 locations in  
1903 Missouri, Kansas, Oklahoma, Arkansas, Tennessee, Kentucky and  
1904 Illinois. We manufacture and sell concrete block, concrete  
1905 landscape products and distribute a wide range of masonry and  
1906 landscape materials to the residential market segment.  
1907 However, only about 90 percent of our companies typically  
1908 operate a single plant and in a local market and remain  
1909 family owned. Nationwide, there are approximately 350 block  
1910 manufacturing companies operating about 600 plants. In other  
1911 words, we typically make and ship our products in about a 60-  
1912 mile radius due to the heavy weight of our materials. This  
1913 local market focus means that our employees, our suppliers

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1914 and our customers are local. We are truly the ultimate  
1915 American business model.

1916 I am pleased that your subcommittee is holding this  
1917 hearing today on the value of the home building industry.  
1918 The construction industry has suffered a lot these past 6  
1919 years. At our company, this recession forced us to cut over  
1920 30 percent of our workforce. When this poor construction  
1921 market is combined with the ripple effect of the banking  
1922 industry, a major increase in medical insurance costs, it  
1923 becomes very difficult for producers to stay in business. In  
1924 fact, over the past 15 years, we have seen close to 300  
1925 producers close their doors.

1926 Like most producers, our company began with the  
1927 production of concrete block for the construction of  
1928 basements in new homes during the 1940s. Back then, as the  
1929 demand for homes grew, so did our company. The demand for  
1930 homes created jobs in the local communities where our  
1931 companies started. It is the same residential construction  
1932 market that has led to every growth cycle experienced in our  
1933 company.

1934 In fact, other construction sectors are driven by the

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1935 residential market. We will begin to see longer delays in  
1936 the construction of retail centers, schools, hospitals and  
1937 municipal buildings as we wait for the housing market to  
1938 recovery. We know a strong housing market is the stimulus  
1939 for most all other building sectors.

1940 Looking beyond the effects of a poor housing market, we  
1941 must also recognize the changing construction industry and  
1942 our ability to adapt. The method and materials used to build  
1943 buildings is changing quickly. The market is demanding more  
1944 energy-efficient building materials, green building products,  
1945 more education of architects and engineers, and a larger  
1946 number of workers to move into the skilled trades. Each of  
1947 these demands requires a consistent and substantial level of  
1948 investment to remain competitive.

1949 Within our industry, we recognize the need to invest in  
1950 our products. However, with block being a relatively low-  
1951 margin commodity-type product with many small producers,  
1952 maintaining that consistent level of funding in our own  
1953 research, education and promotion becomes difficult.

1954 For this reason, our producers overwhelmingly support an  
1955 industry-led funding program. We have solicited the

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1956 leadership and assistance of Representative Brett Guthrie and  
1957 Representative Kathy Castor to introduce bipartisan  
1958 legislation in the form of H.R. 1563 to create a commodity  
1959 check-off program for the concrete masonry industry. This  
1960 legislation, which has been referred to this subcommittee,  
1961 would not create the check-off program but simply authorize  
1962 our producers to conduct a referendum, and if a majority  
1963 support, then enact the program. We believe that this  
1964 private industry approach, which requires no federal  
1965 resources, is the only way to enable our industry to  
1966 effectively promote itself and to continue to provide  
1967 valuable building solutions for the public and generate the  
1968 jobs that will naturally follow.

1969 In closing, our company and our industry sit with  
1970 production capacity in reserve, and we are ready and anxious  
1971 to support badly needed growth and development to compensate  
1972 for pent-up demand. We encourage this subcommittee to play  
1973 its role in supporting policies and legislation that will  
1974 ultimately stimulate construction growth, stabilize property  
1975 asset values, free up investment capital, and reduce the cost  
1976 to operate domestic construction and manufacturing

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1977 businesses.

1978 Thank you again for this opportunity.

1979 [The prepared statement of Mr. Wilhelms follows:]

1980 \*\*\*\*\* INSERT 9 \*\*\*\*\*

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|  
1981           Mr. {Terry.} Thank you. Well timed.

1982           Now, Ludy Biddle is Executive Director, NeighborWorks of

1983 Western Vermont, and somebody that Peter Welch is very fond

1984 of. You are recognized for 5 minutes.

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|

1985 ^STATEMENT OF LUDY BIDDLE

1986 } Ms. {Biddle.} And it is mutual. Thank you, Chairman  
1987 Terry and Ranking Member Schakowsky and all of the members of  
1988 this subcommittee. This is a great honor, and thank you,  
1989 Representative Welch, for making this possible.

1990 I am here to share with you the benefits that the  
1991 residents of a small county in Vermont are enjoying from an  
1992 investment made in energy efficiency and to encourage you to  
1993 consider how the whole country could benefit from a similar  
1994 investment.

1995 In 2010, NeighborWorks of Western Vermont, a small,  
1996 nonprofit housing organization, joined an august group of  
1997 cities and States to receive a Better Buildings grant from  
1998 the Department of Energy. The purpose of the DOE program was  
1999 to wrap up demand for energy-efficiency measures in the  
2000 residential sector. We were the only housing group to apply.  
2001 We said we would encourage 1,000 households in Rutland City  
2002 to go through the retrofit process in 3 years, and no one  
2003 thought we could do it because to put that into perspective,

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2004     only 26 Rutland households had gone through the process in  
2005     2009. Rutland County is the second poorest country in  
2006     Vermont subject to all the social ills and economic  
2007     challenges that our stressed communities are, so we were not  
2008     the typical demographic for efficiency programs, but we heat  
2009     our homes 6 months of the year. Our housing stock is some of  
2010     the oldest in the country. Our low- and moderate-income  
2011     residents, the least likely to participate, were the most  
2012     likely to benefit from this program, and our mission, our  
2013     experience is about helping make home ownership affordable.

2014             What better way to achieve savings and stability and  
2015     comfort and health and safety for homeowners than to add air  
2016     sealing and insulation and the occasional boiler and new roof  
2017     to their homes? I will share some of the results and then  
2018     tell how we accomplished this and what our hopes for  
2019     continuing.

2020             As of the close of this year's heating season, 570  
2021     households just in Rutland County had completed retrofits on  
2022     their homes. The average homeowner is saving 386 gallons of  
2023     fuel per year, which times about \$3.85 a gallon equals about  
2024     \$1,500 a year, every year from now on. This means that this



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2025 past winter because these 570 homes were using less fuel,  
2026 about \$850,000 did not leave Rutland County to buy oil.  
2027 Eight hundred fifty thousand stayed in this little county to  
2028 fuel our own economy, and it will stay with us every year  
2029 from now on. Actually, it will be even more significant  
2030 because we hope another 400 households will finish their  
2031 retrofits by the end of this summer.

2032 Another way we have contributed to the economy of  
2033 Rutland County is in creating jobs. Most of the contractors,  
2034 who are specially trained and Building Performance Institute  
2035 certified through Efficiency Vermont, were, when we started,  
2036 a one-man operation, often an independent builder who had  
2037 been trying to augment his income during the recession.  
2038 Since we began, every one of the 13 or 14 independents have  
2039 added people to their companies. We actually have the names  
2040 and addresses of 62 people who have jobs created around our  
2041 program, so we are not just relying on statistics to indicate  
2042 this. One of our One of our contractors, for example, went  
2043 from three retrofit customers in 2009 to 40 retrofit  
2044 customers in 2011 and 2012, producing a gross income just for  
2045 his company of \$300,000. At one point all the contractors

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2046 were so busy, a 3-month backlog, that we created a small  
2047 company of our own called LaborWorks for NeighborWorks. We  
2048 now maintain a pool of workers we can loan out to the  
2049 contractors when they need help keeping up with demand.  
2050 How did we do this? We are and always have been a housing  
2051 organization. We know that you don't advertise or announce  
2052 programs and they will come. For example, in Shrewsbury, we  
2053 enlisted the five volunteer conservation commission members  
2054 to call all 400 residents. While incentive payments and  
2055 rebates for efficiency measures are essential, we used our  
2056 grant money to provide people to help other people understand  
2057 this process, and we simply provided old-fashioned customer  
2058 service, something we call the Melanie factor after the head  
2059 of our coordinating team. We provided help with  
2060 understanding the technical and financial choices. We like  
2061 to tell people we will let the dog out, we will let the  
2062 contractor in and we will help you understand all of the  
2063 information you need in between. Because we were concerned  
2064 and there was concern, of course, that providing these  
2065 services was expensive and adding to the already existing  
2066 efficiency programs, we engaged the Cadmus Group, a research

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2067 firm that is highly regarded in the energy industry, to  
2068 conduct an industry standard cost-benefit analysis. They  
2069 found lower income households earning below 80 percent of  
2070 area median income were 164 percent more likely to install  
2071 measures. Our Heat Squad program, which is what we call it,  
2072 is cost-effective for the societal cost test of 1.72, and the  
2073 Heat Squad with Efficiency Vermont programs is even more  
2074 cost-effective. In other words, not only is the added cost  
2075 of the Heat Squad producing more benefit than it is costing,  
2076 but also the NeighborWorks Heat Squad is providing non-  
2077 monetized value to society in that significantly more people  
2078 in the low- to moderate-income homes are benefiting.

2079 I will stop now and hope that you will have questions  
2080 that would address the rest of my testimony.

2081 [The prepared statement of Ms. Biddle follows:]

2082 \*\*\*\*\* INSERT 10 \*\*\*\*\*

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|

2083           Mr. {Terry.} I think you can bank on that.

2084           Mr. Bovio, did I say that right?

2085           Mr. {Bovio.} Yes, you did.

2086           Mr. {Terry.} Fantastic. Operations Manager, Bovio

2087 Advanced Comfort and Energy Solutions. You are recognized

2088 for 5 minutes.

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|

2089 ^STATEMENT OF BRIAN BOVIO

2090 } Mr. {Bovio.} Thank you. Thank you, Mr. Chairman, and  
2091 distinguished members of this subcommittee for this  
2092 opportunity to offer my perspective on the role of home  
2093 performance contracting in home economics and energy policy.  
2094 My name is Brian Bovio and I am Vice President of my family's  
2095 business--I gave myself a promotion--Bovio Heating, Plumbing,  
2096 Cooling, Insulation located in New Jersey. We are a third-  
2097 generation HVAC contracting company that has also  
2098 transitioned in a whole-house energy efficiency retrofit  
2099 company. We offer heating, air conditioning, plumber,  
2100 insulation, weatherization and energy auditing services.  
2101 Essentially, we work with homeowner to increase their home's  
2102 energy performance, comfort, health and safety.

2103 I come to this subcommittee both as a licensed  
2104 contractor and as Chairman of the Board of Efficiency First.  
2105 Efficiency First is a national nonprofit trade association of  
2106 nearly 800 member companies, most of which are small  
2107 businesses employing five to 50 people. We have membership

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2108 in all 50 States and aim to support the policies that will  
2109 support a sustainable and scalable home retrofit market.

2110 Efficiency First contractors work every day sitting at  
2111 kitchen tables across America helping homeowners to  
2112 understand why their energy bills are so high, why their  
2113 daughters' bedrooms are so cold or why their son's asthma  
2114 acts up when the furnace is on. Americans understand that  
2115 energy efficiency is about their home economics and comfort  
2116 and their ability to raise their families there.

2117 The average American family spends over \$1,800 per year  
2118 on energy, which equates to over \$200 billion across the  
2119 Nation. This represents 22 percent of all U.S. energy  
2120 consumption, 35 percent more than is used for passenger cars  
2121 and trucks combined.

2122 Energy efficiency is unique in that it creates its own  
2123 cash flow. Less money spent on energy means more money to  
2124 purchase groceries and save for college. So why don't all  
2125 American homeowners undertake the energy efficiency upgrades  
2126 they need? One key reason is the upfront costs. Efficiency  
2127 First and I would like to thank Congress and Congressmen  
2128 David McKinley and Peter Welch for their leadership on homes,

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2129 home performance and for introducing H.R. 2128, the Home  
2130 Owner Managing Energy Savings Act, or HOMES Act. This bill  
2131 would help address the hurdle of those upfront costs by  
2132 providing incentives for homeowners with rebates to help  
2133 cover the cost of home energy efficiency upgrades. The  
2134 rebates are earned. The size of the rebate is based on the  
2135 energy savings the upgrade will provide, not the type of  
2136 product they purchase, and homeowners will always pay at  
2137 least half of the upgrade cost.

2138       Why should tax dollars be used to offset efficiency  
2139 costs? Believe me, I understand the need to use public  
2140 dollars wisely. As a small business, we understand the need  
2141 to budget our own funds wisely so I am not asking for a  
2142 handout. This country needs the energy savings that the  
2143 HOMES Act provides. Saving energy is a public good.  
2144 Homeowners are being asked to provide that public good to  
2145 save energy and make expensive efficiency investments because  
2146 we want them to save money on their utility bills and because  
2147 the country needs them to reduce cost across the energy  
2148 system as a whole and help achieve the broader goals of  
2149 energy independence, pollution reduction and job creation.

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2150           We are not properly valuing the very real public and  
2151 resource benefits energy efficiency provides. Instead, we  
2152 are asking homeowners to pay for the full burden and cost of  
2153 these improvements often upfront and out of pocket. The  
2154 HOMES Act fixes that.

2155           Mr. Chairman, retrofitting inefficient homes will also  
2156 create hundreds of thousands of U.S. jobs in some of the  
2157 hardest-hit industries including construction and  
2158 manufacturing. These new jobs are primarily jobs that cannot  
2159 be outsourced. You cannot hire a contractor from China, and  
2160 the materials used in improving homes average 90 percent made  
2161 in the United States. Shipping insulation is as smart as  
2162 shipping air.

2163           My business and employees know personally how home  
2164 performance can create jobs. Bovio's has been able to grow  
2165 its business thanks to making the transition to a home  
2166 performance company. Despite horrendous economic conditions,  
2167 we have more than doubled our workforce in the past few  
2168 years. All of these employees are working 40-plus hours a  
2169 week, no short weeks and have full benefits. Revenues are  
2170 also up dramatically from before we started in home



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2171 performance. This change in my business and the businesses  
2172 of many others across the country was made possible with the  
2173 help of public dollars and incentive programs, incentive  
2174 programs like the HOMES Act put forward by bipartisan  
2175 policymakers at the State level, who saw the need and acted.

2176         Mr. Chairman, the major players we need to make the home  
2177 performance industry economically sustainable over the long  
2178 haul are already here. We are just not yet to scale. Those  
2179 that claim the industry should stand up without incentives  
2180 are not acknowledging that every other resource receives  
2181 incentives despite already being at scale. Energy efficiency  
2182 is an undervalued resource, and home performance deserves  
2183 investment. We believe that a smart national incentive  
2184 coordinated with local infrastructure will enable a  
2185 transformation in the residential energy efficiency market.  
2186 This subcommittee can help by supporting the passage of the  
2187 HOMES Act.

2188         I want to thank the subcommittee on behalf of the  
2189 thousands of contractors who are working every day to help  
2190 homeowners invest and improve their homes. I thank you again  
2191 for the opportunity to testify and look forward to your

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2192 questions.

2193 [The prepared statement of Mr. Bovio follows:]

2194 \*\*\*\*\* INSERT 11 \*\*\*\*\*

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2195           Mr. {Terry.} Thank you very much.

2196           I will start with you, Mr. Shaw. It is interesting as a  
2197 remodeler that I guess many of us, I didn't think about the  
2198 lead rule and how it would impact, and I would assume most of  
2199 the remodeling is in older homes. So when the EPA, when they  
2200 eliminated the opt-out, first of all, what notice was there?  
2201 Why did they do that and how specifically did it impact a  
2202 typical remodeling job for a home built before 1978?

2203           Mr. {Shaw.} Wow, I don't even know where to start on  
2204 that.

2205           Mr. {Terry.} Yes, and you have to do it in about a  
2206 minute.

2207           Mr. {Shaw.} Yes. Thank you. You know, as an industry,  
2208 and remodelers in particular, we were at the table with  
2209 putting this whole thing together, and we are very serious  
2210 about lead poisoning so I don't want to imply that what  
2211 happened after this thing went into effect in 2010, I think  
2212 it was in July 2010--what happened was is that we didn't get  
2213 to the table to a change that occurred, I think it was in  
2214 September, when because of a lawsuit and a settlement with

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2215 the environmentalists, the EPA all of a sudden threw this  
2216 opt-out and took it off the table.

2217 Mr. {Terry.} So to interrupt. Was that part of the  
2218 settlement agreement is to eliminate the opt-out?

2219 Mr. {Shaw.} Yes, it was. So what happened to us is, is  
2220 that we went from 36 million homes to almost 80 million that  
2221 were now included, and we also added about \$336 million in  
2222 compliance costs. So for us, it was a huge impact, probably  
2223 one of the biggest things that took the ability of the  
2224 consumer to make a choice.

2225 Mr. {Terry.} Just real quickly, by eliminating that  
2226 opt-out for a home that could opt out, what was the  
2227 additional cost for a typical project, generally speaking?

2228 Mr. {Shaw.} What happened is, is that, you know, when  
2229 you took the opt-out, then every single household that was in  
2230 a home prior to 1978 became eligible, and now you take a test  
2231 kit that doesn't work, and what happens with most of the  
2232 remodelers that I take that even want to get involved with  
2233 this is that you have to assume every house has lead, so  
2234 there is no alternative.

2235 Mr. {Terry.} All right. Mr. Bovio, your company seems

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2236 to be maybe not to the level of remodeling but certainly you  
2237 will make some changes to a home under your program.

2238 Mr. {Bovio.} Absolutely.

2239 Mr. {Terry.} What is the typical assessment, assessment  
2240 meaning conclusion, of what has to be done to a house that  
2241 you will work on? What is the average cost? You mentioned  
2242 incentives, and does that cover the cost and where do the  
2243 incentives come from?

2244 Mr. {Bovio.} Currently, I work in a program in New  
2245 Jersey that covers up to half the costs. I am a third-  
2246 generation HVAC contractor so most of our leads come in as  
2247 someone that needs heating and/or air conditioning. So most  
2248 of our jobs are starting them and then we convert them into a  
2249 home performance project and we talk to them about upgrading  
2250 their building shell, which would be air sealing, making the  
2251 home tighter, performing insulation upgrades to reduce the  
2252 BTU load of the heating and air conditioning equipment we  
2253 need to put in, reduce the equipment sizing. Those projects  
2254 can range around \$15,000, generally speaking.

2255 Mr. {Terry.} And the incentives program for New Jersey  
2256 will cover \$7,500 of a--

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2257           Mr. {Bovio.}   Up to \$5,000.

2258           Mr. {Terry.}   Up to \$5,000?

2259           Mr. {Bovio.}   Yes.

2260           Mr. {Terry.}   Is there a financing mechanism for the  
2261 rest?

2262           Mr. {Bovio.}   New Jersey does have a financing mechanism  
2263 for the rest, a \$10,000 zero percent loan, which is why I  
2264 told you that average job comes in about \$15,000.

2265           Mr. {Terry.}   Interesting. But Mr. Robinson, real  
2266 quickly, you make a lot of products but I don't figure or see  
2267 where the energy efficiency occurs in the use of your  
2268 products. Is there an energy-efficiency component to your  
2269 products?

2270           Mr. {Robinson.}   Well, you have to remember we do more  
2271 than make toilets so on--

2272           Mr. {Terry.}   Well, yes, that is where I usually get  
2273 reminded of your products, though.

2274           Mr. {Robinson.}   You know, our name appears in all the  
2275 best places, as they say. We also, on the power side of our  
2276 business, make home gen sets, and, you know, this is becoming  
2277 a less and less luxury and more and more something that as

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2278 our population ages in place and they are expected to receive  
2279 their health care needs in their home, we have--part of the  
2280 spec of these homes often includes a backup power source  
2281 because the power goes down and your dialysis or whatever  
2282 machinery in your home doesn't work, that is a real issue  
2283 when you only have so much batter life.

2284         So I think, you know, when you look at energy and just  
2285 broadly speaking energy issues in this country, we need to be  
2286 looking more and more about the security, the infrastructure  
2287 for energy delivery to homes as we look at homes more and  
2288 more to accomplish more things. They will, as I say, become  
2289 mini-hospitals for most of us as we age and they will also  
2290 raise children and send people to college, et cetera. So I  
2291 think the breadth of what we are asking this, you know,  
2292 capital to do, this home on the ground to do is expanding and  
2293 expanding and at the same time we are being asked to comply  
2294 with far more, you know, detailed and I would say in certain  
2295 circumstances say onerous regulations at all levels.

2296         Mr. {Terry.} All right. Thank you very much, and m  
2297 time is expired and I will recognize the gentlelady from  
2298 Illinois, Ms. Schakowsky, for her 5 minutes.

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2299 Ms. {Schakowsky.} Thank you. First, let me say, Mr.  
2300 Robinson, I have been to the American Club. You spoke about  
2301 immigration reform. Don't you call it The Immigrants?  
2302 Mr. {Robinson.} Yes, it is The Immigrant.  
2303 Ms. {Schakowsky.} Great restaurant.  
2304 Mr. {Robinson.} Thank you.  
2305 Ms. {Schakowsky.} I wanted to just comment on the lead  
2306 renovation and repair. I have been addressing the lead issue  
2307 for a very long time in toys and homes, etc., and I have to  
2308 say I am a big supporter of that rule because let us face it:  
2309 these homes after renovation often are sold, flipped, people  
2310 are moving in and out, and lead is one of the most dangerous  
2311 toxins that affect more than 1 million children. I have met  
2312 some of those children, and it is really devastating. Even  
2313 exposures to very low levels of lead harms the development of  
2314 children's brains, causing learning disabilities, behavioral  
2315 problems, etc., but it is also a concern for the workers who  
2316 can suffer cardiovascular damage, kidney damage, damage to  
2317 central nervous system, and the National Institute for  
2318 Occupational Safety and Health has found that construction  
2319 workers bring lead dust home, leading to higher blood levels



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2320 in the children of construction workers and in their  
2321 neighbors. So I think the LRRP is an important tool in  
2322 reducing these exposures and ensuring that renovations and  
2323 repairs that disturb lead paint are done with basic  
2324 safeguards by trained and certified professionals. It is  
2325 very important. It has been supported by public health  
2326 groups, by the International Union of Painters and Allied  
2327 Trades, and it is being implemented. Renovation firms have  
2328 been certified. Workers have been trained. In Illinois,  
2329 there are over 5,000 firms certified for lead-safe  
2330 renovations, and I just think that changing it to an opt-out  
2331 would undermine important protections for workers, for future  
2332 homeowners and their children and visitors to homes.

2333 But I want to turn to another subject for some  
2334 questions. Mr. Bovio, in your testimony you wrote,  
2335 ``Efficiency First contractors work every day with homeowners  
2336 sitting at kitchen tables across America helping them  
2337 understand why their energy bills are so high and that  
2338 ``retrofitting homes will put energy savings back in the  
2339 wallets of American families and communities and create  
2340 hundreds of thousands of jobs,'' et cetera. So I understand

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2341 that your company has seen success lately. So yes or no, has  
2342 it been your experience that if more consumers knew how much  
2343 energy they could save and how much money they could save  
2344 through retrofitting that we would see a lot more people  
2345 improving the energy efficiency of their homes?

2346 Mr. {Bovio.} Absolutely.

2347 Ms. {Schakowsky.} And Ms. Biddle, your testimony  
2348 stressed the importance of informing homeowners of the money  
2349 that they could save. Can you talk about the methods in your  
2350 experience that have been the most effective and successful  
2351 in helping people understand how they can save money and  
2352 convincing them that these are really important things to do  
2353 in their home?

2354 Ms. {Biddle.} Yes. As I said, as a housing agency for  
2355 26 years, we have known how to talk to people about their  
2356 specific challenges or questions or needs. So we have  
2357 addressed the efficiency measures in the same way. It is  
2358 very much a one-on-one conversation or, where possible, two-  
2359 on-one. But it is explaining the specifics. In most cases,  
2360 you know, we can indicate that the cost of the loan--if a  
2361 loan is necessary, the cost of a loan is less than the

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2362 savings that would be accomplished on a monthly basis, and  
2363 once a person understands that, you know, using their own  
2364 numbers wherever possible, it is a very easy project to  
2365 understand for anyone, and everyone benefits from it. It is  
2366 a matter of making it very clear. It is still an esoteric  
2367 kind of proposition to households. It is not, you know, like  
2368 buying a granite kitchen counter. They don't know yet what  
2369 it involves and how to get it accomplished.

2370 Ms. {Schakowsky.} So you don't wait for people to come  
2371 to you, you go out to them?

2372 Ms. {Biddle.} No, we very definitely go out. We have  
2373 outreach coordinators. One example I gave in Shrewsbury,  
2374 five members of our town called 400 fellow residents and just  
2375 explained, you know, I did this in my house and if you did  
2376 this in yours, this is where you would be this time next  
2377 year. We are very definitely talking to people specifically  
2378 about their homes similar to mine, that kind of thing.

2379 Ms. {Schakowsky.} So Mr. Bovio, you were talking about  
2380 the legislation, the HOMES Act.

2381 Mr. {Bovio.} Yes.

2382 Ms. {Schakowsky.} Are you saying that some States

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2383 already have something similar to that and that this has  
2384 proven to be a good model nationally? Could you explain?

2385 Mr. {Bovio.} Yes. I mean, some States do have programs  
2386 and some have very successful programs, New Jersey being one  
2387 of them, that has had a lot of success for me and we have had  
2388 a lot of energy savings in New Jersey with that program. If  
2389 there was a national model that rolled out and could take  
2390 home performance nationwide, that would definitely benefit  
2391 the Nation's energy independence.

2392 Ms. {Schakowsky.} Thank you very much. I yield back.

2393 Mr. {Lance.} [Presiding] Thank you very much. Before  
2394 recognizing Mr. Long, Mr. Bovio, where are you from in New  
2395 Jersey?

2396 Mr. {Bovio.} Southern New Jersey. I live in  
2397 Williamstown.

2398 Mr. {Lance.} Gloucester County or--

2399 Mr. {Bovio.} Yes, sir.

2400 Mr. {Lance.} I live in Hunterdon County, which has even  
2401 fewer people than Gloucester County, in the northwest,  
2402 however.

2403 Mr. {Bovio.} Okay.

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2404           Mr. {Lance.} And to all of the panel, welcome, and of  
2405 course to you, Mr. Bovio from New Jersey.

2406           Mr. {Bovio.} Thank you, Mr. Lance.

2407           Mr. {Lance.} Mr. Long from Missouri, you are  
2408 recognized.

2409           Mr. {Long.} Thank you, Mr. Chairman, and thank you all  
2410 for being here today and for your testimony. My friend, Ms.  
2411 Schakowsky, as she always does, made some very good points  
2412 about the dangers of lead and lead-based paint, and it is a  
2413 very serious concern, as we all know. I come from a 30-year  
2414 background as a real estate broker and I hail from the town  
2415 of Springfield, Missouri, that is the third largest city in  
2416 the State, founded in 1838, so we are not as old as towns out  
2417 on the East Coast but we do have a lot of older homes, and a  
2418 lot of those homes are rental homes. They are starter homes  
2419 for people that buy the older homes and things, and it is a  
2420 very, very serious concern, and these rules that they come up  
2421 with, the repair and painting rule I think what they referred  
2422 to it as, we stand a chance of people--they don't have to  
2423 paint their house and they can let them rot down, they can  
2424 let the 25 years or whatever since 1978 or however many years

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2425 it has been since 1978, they can just let that paint come off  
2426 and then you get back to the thick lead-based paint that we  
2427 all know chips, and that is what children will eat and peel  
2428 off the windowsill. So that is why we are so very concerned  
2429 about it. So I would like all of us to work together on both  
2430 sides of the aisle and you all to come up with some kind of a  
2431 rational program that will work and prevent that from  
2432 happening because the danger of this paint coming off, the  
2433 non-lead-based paint that people have used over the years  
2434 that covered up, kind of acted as a pretty good protective  
2435 coating, but now these houses are in need of painting, I know  
2436 in Springfield they can't even find anybody. In Illinois,  
2437 Ms. Schakowsky said that there is lots of people, but trying  
2438 to get a house repainted in a town that has been there since  
2439 1838 is a serious problem.

2440 So Mr. Shaw, let me direct my first question to you. It  
2441 is my understanding, and correct me if I am wrong, that the  
2442 EPA is not even complying with their own rule but not  
2443 providing a commercially available, accurate test kit. Do  
2444 you know of any steps that they have taken--I am talking  
2445 about the EPA--to satisfy the need for these test kits in the

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2446 near term?

2447 Mr. {Shaw.} Well, first of all, the EPA wrote the lead  
2448 test standards into their rule, number one. So NHB has asked  
2449 them repeatedly to get a response from the EPA on what they  
2450 are going to do with this lead test kit problem, and we have  
2451 never received a response. We need to have a lead test kit  
2452 that works. I mean, for us in Houston, 90 percent of our  
2453 work are homes that are pre-1978. This rule really has a  
2454 direct effect on us. And what we have been told by our  
2455 attorneys time and time again is, we cannot take the risk of  
2456 a false positive or a false negative. So if we think the  
2457 house does not test for lead and it does and we don't do the  
2458 lead safe work practices, we are liable.

2459 Mr. {Long.} Well, what does EPA tell you when you tell  
2460 them, hey, you know, you have got this written into the law  
2461 and we need these test kits?

2462 Mr. {Shaw.} Well, you are not going to believe this,  
2463 but what they tell us--

2464 Mr. {Long.} Yes, I would.

2465 Mr. {Shaw.} They tell us that there is another way of  
2466 doing this that you can send the paint chips to their

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2467 approved laboratories. Well, there are not enough of them,  
2468 and then if I came into your house and tore your kitchen and  
2469 your bathroom up and then did this testing and said you know  
2470 what, you are going to have to wait 6 to 8 weeks for us to  
2471 get the results back, and people just--my customers are not  
2472 going to wait. It is unreasonable.

2473         Mr. {Long.} It is not just remodeling problem because  
2474 you are in the remodeling business. It is, like I say,  
2475 landlords that own these older homes that paint them every 3  
2476 or 4 years, but now with this new rule they can't go in there  
2477 and paint over what they have been painting over since 1978  
2478 for these pre-1978 homes so it is a very serious concern and  
2479 I hope that we can get some help from everybody on this  
2480 issue.

2481         Mr. Wilhelms, thank you for giving me at our of Midwest  
2482 Block on May 1st of this year in Springfield, Missouri, and  
2483 very impressive, impressive operation there, and I think that  
2484 we both agreed things are kind of upturning in the economy  
2485 and things are getting a little better around there, so  
2486 again, I appreciate that. I know that you mentioned when I  
2487 was down there about a check-off program that you all are



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2488 interested in, and I know in Washington we are wanting to try  
2489 to do less instead of more, so what would be the government's  
2490 involvement in a check-off program? I understand it is like  
2491 the Got Beef or the cattle check-off program, things like  
2492 that. Can you in 1 second explain yourself?

2493 Mr. {Wilhelms.} Government involvement is minimal.  
2494 Just give our industry the chance to see if it is a right fit  
2495 for us, but with commodity product, we just need that  
2496 authorization to allow our industry to take a vote.

2497 Mr. {Long.} Okay. And I have to ask Mr. Bovio one  
2498 question even though I am out of time. When you gave--you  
2499 have already admitted here before this committee that you  
2500 gave yourself a promotion. Did you also give yourself a  
2501 raise at the same time or was it just a title?

2502 Mr. {Bovio.} I did not.

2503 Mr. {Long.} Okay. I yield back.

2504 Mr. {Lance.} You have a right to remain silent, Mr.  
2505 Bovio. Thank you, Mr. Long, especially for that last  
2506 question for the gentleman from New Jersey. The chair  
2507 recognizes Mr. Welch.

2508 Mr. {Welch.} Thank you very much. I am going to ask a

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2509 few questions and get to Ms. Biddle in a few minutes, but I  
2510 want to ask Mr. Shaw a question first. How does the National  
2511 Green Building Standard compare to some of the other rating  
2512 systems with regards to energy efficiency?

2513       Mr. {Shaw.} One thing that is unique about the national  
2514 Green Building Standard is that unlike the other main  
2515 program, the LEED program, there is a minimum number of  
2516 points that you have to score in every category including  
2517 energy efficiency. Every category, you have to meet a  
2518 minimum score. And if you look at the different levels of  
2519 the National Green Building Standard, just to get a bronze is  
2520 15 percent above the 2009 energy code. So if you go into the  
2521 emerald, that is 50 percent, and that is every single  
2522 category, where if you compare it to the LEED program, and  
2523 which I did a LEED project about a year and a half ago, a  
2524 LEED gold, it was--the two architects that I did this  
2525 particular work for, it was a game of picking and choosing  
2526 out of different pots to try to get the points, so it became  
2527 all about the points and really not about the energy  
2528 efficiency across the board of a home.

2529       Mr. {Welch.} Thank you. And then for Mr. Bovio. I

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2530 appreciated your kind words about the HOMES Act, and we are  
2531 pleased that we have the support of Efficiency First for that  
2532 legislation. What would that legislation mean for the home  
2533 performance contracting industry?

2534 Mr. {Bovio.} It would mean a universal standard across  
2535 the country, which we have never had, a program to put a firm  
2536 footprint in the home performance place across the Nation,  
2537 not a small program in this utility and, you know, that State  
2538 that we have to deal with and it is hard to scale up,  
2539 nationwide when you are dealing with 50 different programs  
2540 across the country. If we had one program to shoot for, it  
2541 could really build the industry up rapidly.

2542 Mr. {Welch.} Thank you.

2543 Mr. {Bovio.} Thank you.

2544 Mr. {Welch.} Thank you. And Ms. Biddle, tell us a  
2545 little bit about the contracting jobs. I mentioned in my  
2546 opening remarks, it was just amazing to me to be there seeing  
2547 all these folks getting training to be able to go out and  
2548 work, and it was nice to see the kind of bounce in their step  
2549 because times were pretty rough in Rutland then and these  
2550 folks had been laid off, and they really had prospects. So I

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2551 think it would be worth it for all of us to hear more about  
2552 the contracting jobs that you have been able to create.

2553 Ms. {Biddle.} Well, as I said, we really started at the  
2554 beginning of our grant period, which was 2010, with about 12  
2555 or 13 independent contractors, one-man companies, and as the  
2556 demand increased, they were overwhelmed so we offered some  
2557 assistance and some encouragement for them to hire new  
2558 people, and we provided the training because it is intensive,  
2559 technical, advanced training that is required to be a BPI-  
2560 certified contractor, and I think that is probably what you  
2561 were part of. And as I said, 62 people now have new jobs  
2562 that were created in the process of this 3-year period, some  
2563 of them with even advanced specialties as well. It is a  
2564 pretty amazing thing, and as I also said, we created a labor  
2565 pool to augment those companies because they didn't want to  
2566 necessarily grow any faster or further than demand was  
2567 building. But yes, you are right, it has been important.

2568 Mr. {Welch.} What has been the practical impediment for  
2569 homeowners to make the plunge?

2570 Ms. {Biddle.} Well, you know, I think there are three  
2571 things that we have addressed. One is the upfront cost of an

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2572 audit. Traditionally, it had been \$350, \$450. One of the  
2573 first things we did was to defer the cost so the cost  
2574 remained the same but we took it out of the end check they  
2575 got as an incentive, so the entry level was \$100 rather than  
2576 \$450, and then there was concern that they wouldn't--they get  
2577 a cheap audit or a free audit and not convert to a retrofit,  
2578 but with assistance from just sort of understanding the  
2579 process, our conversion rate is 44 percent, and that is  
2580 pretty high nationally. But it is about talking to them and  
2581 explaining it.

2582 Mr. {Welch.} Direct one-on-one interaction?

2583 Ms. {Biddle.} Absolutely. And then we offer  
2584 construction management where that is important. Some people  
2585 are working and don't have time to be at home for the work to  
2586 be done so we will actually provide that service, and then we  
2587 have a very affordable loan product that is also in the minds  
2588 of a lot of people. Financing is an obstacle. We find it is  
2589 less of an obstacle once the process is understood by the  
2590 individuals.

2591 Mr. {Welch.} Great. Thank you very much. I yield  
2592 back.

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2593           Mr. {Terry.} Thank you, and now to the gentleman from  
2594 Kentucky, Mr. Guthrie, you are recognized for 5 minutes.

2595           Mr. {Guthrie.} Thank you, gentleman from Nebraska. I  
2596 appreciate that.

2597           Mr. Chairman, H.R. 1563 that Mr. Long talked about just  
2598 as he was concluding, he left you about, I think, 3 seconds,  
2599 Mr. Wilhelms, to discuss it, and I want to use my time  
2600 discussing it, if that is okay with you. You know, it is  
2601 questionable, which is interesting. You said it this way,  
2602 what does the government have to do, and the one thing is,  
2603 and for good reason actually, the government actually  
2604 prevents some people from coming together to promote because  
2605 they want to ensure competition in the marketplace and the  
2606 system. My understanding is, as I have spent a lot of time  
2607 with this issue, is that most concrete masonry businesses, or  
2608 almost all are small, a lot of mom-and-pop shops that are  
2609 local. Most masonry is distributed within 50 miles of where  
2610 it is produced. So you don't have the big players, you have  
2611 a lot of small players in order to come together to promote  
2612 their product. You just couldn't run a national campaign  
2613 from Springfield nor could you do national research from

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2614 Springfield. And so the idea is to allow you all to choose  
2615 if you so choose and not being anti-competitive but let you  
2616 come together for the idea of not promoting your business but  
2617 promoting your product, which is a commodity so it is not  
2618 like you are promoting one or the other. And the other thing  
2619 I think is even more important, quite honestly, is that you  
2620 get to do research and development on products that may be  
2621 more appropriate for New England. We have a wonderful State  
2622 of Vermont, talking about Mr. Welch, that I enjoyed when I  
2623 was in New England in college going up there, and--but are  
2624 hurricane resistant or hopefully some day tornado resistant  
2625 as is very much on our minds today.

2626         So why is the concrete masonry business so small and so  
2627 fractured and just disparate like it is?

2628         Mr. {Wilhelms.} I think you addressed a lot of it. It  
2629 was for small family businesses operating in local areas.

2630         Mr. {Guthrie.} The ones the market kind of forced that  
2631 structure.

2632         Mr. {Wilhelms.} Yes, the market has forced it, and you  
2633 bring up some good points, and our ability to adapt and  
2634 really get our word out. You know, my pet peeves are on the

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2635 research and education side of it, you know, with the green  
2636 building and energy code compliance we have heard so much  
2637 about today, there is really a huge opportunity out there for  
2638 our materials whether it be utilizing fly ash in our  
2639 materials, a higher percentage of fly ash, whether it be  
2640 using crumb rubber waste in our materials. There is  
2641 opportunity to improve our energy efficiency but lacking that  
2642 opportunity to get in and really do the testing and how does  
2643 it affect performance in terms of energy or fire protection,  
2644 you know, those are all things that require money and a  
2645 consistent level of funding that we need over time. So a  
2646 check-off program for our industry would provide the  
2647 consistent level of funding we need to advance, you know, our  
2648 industry really and education, research and promotion.

2649       Mr. {Guthrie.} My understanding is, it is hard for one  
2650 player to come in. A lot of industries, you know, the  
2651 industry--I have a family business and we sell automotives  
2652 for U.S.-based companies. There are a lot of other  
2653 companies, you know, the Big Three as we call them, have, you  
2654 know, massive research and development but it is difficult  
2655 for you to do because you are so small, and I understand the



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2656 reason you are small is because it is so expensive. You  
2657 couldn't just have one plant in Springfield, Missouri, and  
2658 ship to New York or to Vermont and try to produce because it  
2659 is so expensive to do so, so they perform in the local--that  
2660 is kind of why you are disparate and small, right?

2661 Mr. {Wilhelms.} Yes. Shipping product that far would  
2662 not be energy efficient. That is true, and the check-off  
2663 program for us, you know, we see good support throughout our  
2664 industry, over 70 percent through a third-party survey have  
2665 indicated that yes, we need this and it would be right for  
2666 us. So the fault we have is, we are not a product that grows  
2667 so we don't fall under the Department of Agriculture. We are  
2668 doing this right, belong under Energy and Commerce, and  
2669 unfortunately, being the first program that would get set up,  
2670 we need to go through the proper steps.

2671 Mr. {Guthrie.} Well, thanks for doing that. So the  
2672 proper steps--this bill does not create a check-off program,  
2673 does it?

2674 Mr. {Wilhelms.} No.

2675 Mr. {Guthrie.} What does the bill actually do?

2676 Mr. {Wilhelms.} It gives us the authority to take a

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2677 vote within our industry, and if it is approved by the  
2678 majority of locations around the United States, then it would  
2679 be enacted and oversaw--there would be government oversight  
2680 but no costs would go into monitoring that program.

2681 Mr. {Guthrie.} And if you looked at other check-off  
2682 programs, is this different or is it similar?

2683 Mr. {Wilhelms.} Very similar, yes. There is over 35, I  
2684 believe, check-off programs through the Department of  
2685 Agriculture. The bill that is entered into the House is  
2686 identical in the Senate, and they are based on that logic  
2687 that has been argued before the Supreme Court and follows  
2688 that same legislative process.

2689 Mr. {Guthrie.} You can't do it if you are only  
2690 promotional in nature, you have to also move your industry  
2691 forward.

2692 Mr. {Wilhelms.} And the good part about this, just real  
2693 quick, is that 50 percent of the funds go back to the local  
2694 market so the person in Springfield or Bowling Green or  
2695 whatever would have that opportunity to get back what they  
2696 put in.

2697 Mr. {Guthrie.} Yes, Springfieldian, Mr. Hammonds, had a

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2698 hotel in Bowling Green. I know you lost him this week, and  
2699 that is a big loss to your community, and our prayers are  
2700 with you all and his family.

2701 Mr. {Wilhelms.} Yes, a very philanthropic individual.

2702 Mr. {Terry.} Thank you. Sorry, but there is no one  
2703 else to ask questions, so that means our hearing is  
2704 concluded. I remind you that there may be written questions  
2705 submitted to you, and a timely response would be greatly  
2706 appreciated. So you are dismissed and we are adjourned.

2707 [Whereupon, at 12:48 p.m., the Subcommittee was  
2708 adjourned.]