

Testimony of

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Committee on Energy & Commerce
U.S. House of Representatives

“Built in America: Jobs and Growth in the Manufacturing Sector”
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Introduction

Thank you, Chairman Latta, and members of the Subcommittee, for the opportunity to testify before you today. My name is Ed Paradowski and I am President of Apache Stainless Equipment Corporation, which is in Beaver Dam, WI. Apache Stainless Equipment is a manufacturer of capital equipment from high alloys, primarily stainless steel, with annual revenues of approximately \$43MM and 171 employees.

I also have responsibility for a second manufacturing company, which is Dalton Ag, in Lenox, IA. Dalton Ag is a manufacturer of agricultural equipment, with annual revenues of approximately \$9MM and 43 employees.

Both Apache Stainless Equipment and Dalton Ag are part of a holding company, Dexter-Apache Holdings, Inc. Dexter-Apache Holdings is a 100% S-Corp ESOP with 6 businesses in Wisconsin and Iowa. 5 of our businesses are manufacturing companies, all of which do business in

unrelated market segments. Dexter-Apache Holdings is an extremely successful organization, and as a 100% employee-owned business, we are fulfilling the American Dream for 897 employee-owners.

Overview

My testimony today will reflect my personal perspective on the effects of current economic policy on the health of the U.S. economy, with a specific focus on the manufacturing sector. To provide a backdrop for the testimony I will provide, I would like to give an overview of my personal background.

I have worked in manufacturing essentially my entire career, which began in 1984. In the last decade I have had a targeted focus on advocacy activities, such as:

- Regularly working directly with local, state and national politicians to discuss policy and the impact on the economy, which includes hosting our local politicians at our place of business, as well as lobbying events on Capitol Hill.
- Working very closely with the WMC (**Wisconsin Manufacturers and Commerce**), our state chamber of commerce, on issues that are impactful to manufacturing.
- Serving as Chairman of the Board of the WCMP (**Wisconsin Center for Manufacturing and Productivity**), which is the Wisconsin MEP (manufacturing extension partnership) organization. As I am sure each of you know, the MEP is a public-private partnership to assist small and midsize manufacturing companies maintain their competitive edge.

- Working closely with the Wisconsin Department of Public Instruction as a “CEO Champion” to help evolve the educational process in Wisconsin thru the **Wisconsin Regional Career Pathways Project**.
- Working closely with the NAM (**National Association of Manufacturers**), to improve the competitive landscape for manufacturing on a national level. I will be elected to the NAM board of directors this week.

In summary, my perspectives are not just that of a manufacturer, but instead a manufacturer that works closely with other manufacturers, government, and education. My opinions are based more in actual experience than they are in academic theory.

The Role of Government in the Economy

I use a manufacturing company as a parallel example for how I believe government should function within the economy.

In manufacturing we make our money on the production floor. The role of “general administration” within the business is to create an optimal environment on the production floor for top efficiency and maximum output. There are also rules put in place that need to be complied with for the sustainability of the business. This general administration is “corporate overhead”, and the 2 fundamental rules that exist are the following:

- 1) General administration must optimize efficiency, output and compliance on the production floor

- 2) There must be an economic ratio of cost between general administration and production for the overall business to maintain sustainable economic competitiveness in the markets in which it competes.

Using this analogy as a parallel to government, government is “corporate overhead” to the private sector.

- 1) The role of government is to optimize efficiency, output and compliance in the private sector, which is the pacing item to economic growth.
- 2) There must be an economic ratio of cost between government and the private sector for the U.S. economy to maintain sustainable economic competitiveness in the global economy.

This is the fundamental perspective that I apply to the specific topics that follow.

Tariffs and Trade Deals

Free markets set prices and wages, and over the course of time (all else being equal), efficiency is requisite to be sustainable. The “all else being equal” qualifier does not apply when unfair trade deals work against U.S. companies. As it pertains to China specifically, free market competitiveness cannot exist when U.S. companies compete against state-owned and state-subsidized companies in China. It also cannot exist when U.S. Intellectual Property is not protected, or when tariffs are applied in an imbalanced manner.

In any relationship where there is an inequity over time, one side ultimately wants to opt out. When opting out is not a realistic option, ideally both sides would negotiate in good faith to arrive at a more equitable arrangement. When one side refuses to negotiate in good faith, all options must be considered.

While enacting tariffs on China to force a revised trade agreement is not the ideal option, it may be the only option to reaching a deal that is equitable and sustainable. Many U.S. companies are feeling price and cost pressure through this process, so time is of the essence to getting this done.

Tax Reform

Forced cost structures that are imposed on one business that are not imposed on another, hinder the ability of the negatively affected companies to compete sustainably in a global economy. The recent changes to corporate tax rates were necessary to narrow the gap in cost competitiveness for U.S. based companies against our foreign competition.

Economic Policy Overall

I will close with a repeat of two points I made previously:

- 1) The role of government is to optimize efficiency, output and compliance in the private sector, which is the pacing item to economic growth.

- 2) There must be an economic ratio of cost between government and the private sector for the U.S. economy to maintain sustainable economic competitiveness in the global economy.

Over-regulation, tax rates that are not globally competitive, and the excessive cost burden of big-government hurts all U.S. citizens. Government that is lean and an ally partner to the private sector will aid the U.S. economy.

As it pertains to the policies of the current administration, it is my strong opinion that these policies are directly attributable to the current economic environment of low unemployment, strong stock market performance, and outstanding GDP growth.