

ExecutiveMemo

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A newsletter of the Illinois Manufacturers' Association

June 30, 2010

BRIEFLY

URGENT: Employer Training Investment Program (ETIP) multi-company competitive grant

FY 2010 training dates: July 1, 2009–June 30, 2010

The IMA recently received notification that we have been awarded a limited amount of ETIP grant funding from the Illinois Department of Commerce and Economic Opportunity (DCEO). **If your company is interested in participating in the grant, you will need to submit training records by the Friday, July 9, 2010, deadline.**

You can review the FY10 ETIP Training Requirements, Reports and Schedules at http://www.ima-net.org/grants_ETIP.cfm. **All forms must be completed and submitted to the IMA by July 9, 2010, for training completed July 1, 2009 through June 30, 2010.** Each company is required to complete all required documentation including the Company Profile, Schedules A & B, training rosters and retention reports and submit the materials electronically to stanley@ima-net.org. **The deadline for submission is Friday, July 9, 2010.** Please note: internal and external training is allowed.

Contact Janie Stanley, the IMA's Revenue & Grant Administrator if you have any questions or concerns regarding the grant process and/or reporting requirements at 800-875-4462 x 3020 or email stanley@ima-net.org.

Minimum wage rises to \$8.25 an hour on July 1

The Illinois Department of Labor (IDOL) is reminding Illinois workers that the state's new minimum wage is \$8.25 an hour, effective July 1.

Illinois raised its minimum wage to \$7.50 an hour in July 2007, with automatic increases of 25 cents per hour built in over three years — to \$7.75 on July 1, 2008; \$8.00 on July 1, 2009; and \$8.25 on July 1, 2010.

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Study shows Illinois is poised to benefit economically if next U.S. transportation bill invests in public transit

Duke University analysis of U.S. rail manufacturing shows that Illinois has 23 rail manufacturing facilities, from Galesburg to Chicago

The U.S. rail manufacturing industry stands to undergo considerable growth in the coming years, as Amtrak upgrades its railcars and adds high-speed trains, and as lawmakers consider a transportation bill that calls for significantly greater investments in public transit, including rail, according to a new study by Duke University prepared for the Apollo Alliance. Illinois, which is home to 23 rail-manufacturing facilities and is planning its own high-speed rail network, would reap major benefits from such a bill.

"Our research found that there is a healthy chain of U.S.-based suppliers that manufacture components and systems for rail cars, and many of them are located in Illinois," said Marcy Lowe, a senior research analyst at the Duke University Center on Globalization, Governance & Competitiveness (CGGC) and the report's lead author.

The report, *U.S. Manufacture of Rail Vehicles for Intercity Passenger Rail and*

Urban Transit: A Value Chain Analysis, looks at the manufacture of U.S. rail vehicles in six categories: intercity passenger, high speed, regional, metro, light rail and streetcars. It finds that the U.S. rail supply chain includes at least 247 manufacturing locations in 35 states. The states with the most manufacturing facilities are New York (32 rail manufacturing facilities), Pennsylvania (26), Illinois (23), California (22) and Ohio (13). Although the U.S. rail manufacturing industry is small — the report's authors estimate its employment at between 10,000 and 14,000 employees — industry analysts expect it to grow due to pent-up demand for intercity and urban rail service.

"Illinois has a real chance to be at the center of America's 21st century rail manufacturing industry," said Phil Angelides, chairman of the Apollo Alliance. "Our nation needs a new transportation policy that invests in expanded public transit and

See **PUBLIC TRANSIT**, page 2

The Manufacturers' Incentive Program is available exclusively to manufacturers

The IMA has a select service to members planning significant consolidation or expansion projects. Companies considering new capital investments that will exceed \$2.5 million and create at least 25 jobs over a two year period can receive significant savings. The Illinois Manufacturers' Incentive Program (IMIP) has been used by a number of members, allowing them to save millions of dollars on their projects.

IMIP is coordinated by Steve McClure,

a former Director of Illinois' economic development agency. Steve has vast experience negotiating incentives with governmental agencies and leaders at the local and state levels. Current members who have utilized Steve's services include U.S. Steel, Bourn & Koch, Holten Meat and many others.

For more information and to start on the road to significant savings, please contact Steve McClure at 217-787-7027 or stevemcclure@opportunityalliance.com.

IMA'S EXECUTIVE MEMO IS UNDERWRITTEN BY:



EXPERIENCE RESPONSIVENESS.

Of 838 clients surveyed, 98% say Plante & Moran is responsive to their needs.

more energy-efficient transportation, including rail. Done right, these investments could mean a windfall of manufacturing jobs for the citizens of Illinois."

Another study released recently, by Transportation for America and the Economic Policy Institute, finds that a \$500 billion transportation bill that invests heavily in public transit will create 7.2 million jobs across the economy, including 761,321 manufacturing jobs, of which 168,024 jobs would be located in the rail manufacturing sector. To read the full report, visit www.t4america.org.

The Duke University rail study found that manufacturers with facilities in Illinois are Alstom Transport (Naperville); Electro-Motive Diesel, Inc. (La Grange); ACME Industries (Elk Grove Village); Buell Air Horns (Lyons); Caterpillar, Inc. (Chicago); Elcon (Minooka); Freedman Seating (Chicago); Greenbrier (Chicago Heights); Harrington Signal (Moline); Inter Swiss LTD (Chicago); Kuston Seating Unlimited, Inc (Bellwood); National Railway Equipment Corp. (Silvis); North American Specialty Glass (Mount Vernon, Gilman, Dixmoor, and Yorkville); R&W Machine (Bedford Park); Standard Steel (Park Ridge and Bensenville); Vapor Bus International (Buffalo Grove); Westcode, Inc. (Chicago, Galesburg); and Wi-Tronix (Bolingbrook). They produce a variety of equipment, including driving control systems, door systems, engines and windows.

A similar study on transit bus manufacturing released by Duke researchers in October 2009 identified eight transit bus-manufacturing facilities in Illinois. These companies also would benefit from increased public transit investments in a new transportation bill.

The report's authors conclude that to grow the U.S. rail manufacturing industry will require committing much larger and more consistent U.S. investments to inter-city passenger and urban transit rail. The report also recommends that Buy America provisions be improved through additional accountability mechanisms and the closing of loopholes. Finally, it recommends that policymakers and manufacturers implement measures to capture higher-value activities in the supply chain, such as design and engineering, for the U.S. market. Currently those activities are mostly performed abroad.

The full report is available at apolloalliance.org (<http://apolloalliance.org/wp-content/uploads/2010/06/cggcrailvaluechain.pdf>) and on the Duke University website (http://news.duke.edu/2010/06/rail_study.html).

The Apollo Alliance is a coalition of unlikely and diverse interests — including labor, business, environmental, and community leaders — advancing a bold vision for the next American economy centered on clean energy and good jobs.

Governor Quinn signs IMA initiated bill to extend the R&D Tax Credit

New law extends Illinois Research and Development Tax Credit

On June 23, 2010, Governor Pat Quinn signed SB 3655, which extends the Research and Development Tax Credit. The tax credit will help foster economic growth and innovation by providing Illinois companies with an incentive to increase their research activities in the state.

"Illinois' continued economic recovery will depend largely on our ability to help businesses grow and create more jobs," said Governor Quinn. "With this new law, we are encouraging more companies to invest in Illinois — and the Illinois worker — by creating an environment where innovation can grow and thrive."

SB 3655 was sponsored by Sen. Dan Kotowski (D-Park Ridge) and Rep. Barbara Flynn Currie (D-Chicago). It extends the sunset of the Research and Development Tax Credit from December 31, 2009 to December 31, 2010. The Illinois R&D Credit provides a 6.5 percent credit on qualified research and development costs.

"Investments in the state's research and development activities are critical to our ability to successfully meet the demands of a 21st century economy," said Illinois Department of Commerce and Economic Opportunity Director Warren Ribley. "This tool will help ensure important, life-saving work is being continued by our life-sciences community and other critical industry segments, and will create much-needed jobs."

Thirty-eight states, including Illinois, currently provide some type of state R&D tax credit. The U.S. Bureau of Labor Statistics estimates that every dollar of tax benefit has spurred an additional dollar in private research and development.

According to the Battelle Memorial Institute, academic R&D in Illinois has experienced strong growth since 2004, increasing by 27.5 percent, placing Illinois above the national growth rate. Illinois also has one of the highest concentrations of research institutions in the country, including more than 440 corporate R&D facilities and more than 200 academic, government, and not-for-profit research institutions.

"Extension of the R&D incentive is critical for manufacturing companies who are part of Illinois' economic backbone," said Gregory W. Baise, IMA president and CEO. "While we appreciate the short-term extension, it is imperative that the Governor and lawmakers show their commitment by modernizing the credit and making it permanent."

Illinois has created more jobs this year than any other state in the Midwest.

SBA announces funding available to support Regional Clusters, job creation

Applications accepted beginning July 7 to fund as many as 15 existing clusters

The U.S. Small Business Administration recently announced the availability of funding to support economic development and job creation through existing regional clusters. As part of its Regional Cluster Initiative, SBA will accept proposals from local and regional cluster initiatives beginning July 7 for funding of up to \$600,000 per cluster to support up to 15 projects across the country. Proposals should be submitted by the cluster's coordinating entity.

SBA's Regional Cluster Initiative focuses on accelerating small business growth and job creation through clusters that leverage and align a region's economic, business and workforce assets. Regional clusters are networks of organizations and businesses in a geographic area that grow through increased collaboration, efficiency and innovation.

"Clusters bring together many businesses and organizations in a region to maximize the economic strengths of that region, enhancing its ability to compete on a national and global scale," SBA Administrator Karen Mills said. "SBA is committed to providing both financial and technical assistance resources that can be a catalyst for accelerating a regional cluster's viability and lead to sustainable economic growth and job creation."

SBA is launching two programs within its Regional Cluster Initiative: Regional Innovation Clusters (RICs) and Advanced Defense Technologies (ADTs). Prospective offerors for both solicitations may find additional information through the Federal Business Opportunities website (www.fedbizopps.gov). Information on the RIC solicitation is available at <https://www.fbo.gov/index?s=opportunity&mode=form&id=7e3fa820644db3b29f99bb14adec6b5b&tab=core&cvview=0>.

See **REGIONAL CLUSTERS**, page 3

Information on the ADT solicitation is available at <https://www.fbo.gov/index?s=opportunity&mode=form&id=78cf4bab7dd00d2c2e4754d857ad59ab&tab=core&cvview=0>.

Clusters may apply to only one program.

Regional Innovation Clusters

Successful offerors will receive a one-year contract with an option for an additional year to provide business training, commercialization and technology transfer services, counseling, mentoring and other services that support the growth and development of small businesses in the cluster area and its industries.

SBA will select clusters across the country that meet specified criteria. In each initiative, interested offerors will be asked to demonstrate that they have the partnerships, technical capacity and local assets to support their existing regional cluster.

Regional Innovation Clusters will be assessed on the impact they will have on the region's economic growth, creation of sustainable jobs and the opportunities the cluster provides for small businesses.

Advanced Defense Technologies

SBA is working with the U.S. Department of Defense (DOD) to identify areas around the country where regional innovation clusters can help meet critical defense technology needs. Successful offerors that meet specified criteria will receive a one-year contract with an option for an additional year to provide business training, counseling, mentoring, matchmaking and other services to small businesses that focus on critical DOD technologies.

Areas of high-growth potential critical to DOD include, but are not limited to, advanced robotics, advanced defense systems, power/energy innovations, cyber-security and applied lightweight materials. In each project, interested offerors will be asked to demonstrate that they have the partnerships, technical capacity, and local assets to support developing or existing regional clusters.

Experience working with DOD's Small Business Innovative Research program and defense technology development programs is preferred. Offerors with Defense Security Service Facility Clearances who can hold security clearances and discuss classified material on site are also preferred but not required.

The Economic Substance Doctrine: What does it mean to you?

The Health Care and Education Reconciliation Act of 2010 (the Act) codified the Economic Substance Doctrine (the Doctrine), which has been a common law doctrine used to thwart tax shelters for years. Its codification has created concern amongst businesses contemplating transactions that they may face penalties if their transactions aren't deemed to have "economic substance."

Transactions are considered to have economic substance only if the transaction changes in a meaningful way (apart from federal income tax effects) a taxpayer's economic position and the taxpayer has a substantial purpose (again, apart from income tax effects) for entering into the transaction. Please note that the Doctrine doesn't clearly define which transactions are subject to it, creating uncertainty as to the conditions under which the new law applies.

Companies failing to comply with the Doctrine could pay a hefty price. There will be a 20 percent penalty on underpayments attributable to a disclosed transaction lacking economic substance. That penalty increases to 40 percent if a transaction is not disclosed. The Doctrine applies to transactions entered into after March 30, 2010.

Based on these facts, we recommend that all transactions be examined diligently. *Source: Plante Moran*

A Plante & Moran Manufacturing Industry Survey Report: The New Normal — Cliché or Reality

The recession that was felt at the end of 2008 and throughout 2009 caused many companies to re-evaluate their organizational structure, capital requirements and business plans. Companies cut employment, salaries and benefits, deferred discretionary expenses, and cut capital spending to save cash. The question that remained was whether the pending economic recovery will restore these cuts to the old levels or whether a "New Normal" had been established.

In early 2010, Plante & Moran surveyed more than 170 executives from middle market manufacturers across the country. Survey respondents were asked to classify

See **NEW NORMAL**, page 4

DATES OF NOTE

More information/events may be found at <http://www.ima-net.org/calendar.cfm> and <http://www.ima-net.org/MIT/open.cfm>
Email: jstanley@ima-net.org

July 14, 2010

IMA-MIT Event: Consultative Selling Skills for Sales Professionals, DePaul University O'Hare Campus, 3166 S. River Rd., Des Plaines

The goal of any selling process is to earn and sustain a loyal and partnership-minded client base that will keep coming back. Be ready to turn your "lean and mean" sales team into 'customer friendly' advisors your clients will trust to help them make complex buying decisions. Get a better grasp of the needs and vision of your customers, and leave with tools you need to develop great working relationships with key decision makers. Participants will be able to determine how their company's product can provide meaningful value to a client, even in a competitive or saturated market.

July 21, 2010

IMA-MIT Event: Essential Internal Training Skills and Techniques, DePaul University O'Hare Campus, 3166 S. River Rd., Des Plaines

Essential Internal Training Skills and Techniques is a one day workshop that will introduce the new internal trainer or subject matter expert to the skills necessary for them to be a successful trainer or facilitator. Essential Internal Training Skills and Techniques will cover core skills such as how to create rapport with your learner, how to communicate learning objectives, how to introduce a learning activity, how to ask the right question, and how to engage and reengage the adult learner. Know how to lead an effective class discussion. Learn how to ask the right question – each time, every time.

July 27, 2010

IMA-MIT Event: Assertive Communication Skills: Communicating with Authority & Impact, DePaul University O'Hare Campus, 3166 S. River Rd., Des Plaines

In today's fast-paced work environment, any professional or manager dealing with people needs effective assertive communication skills. Responding assertively is positive and effective, showing leadership skills and self-confidence. Professionals having effective assertive communication skills are most often seen as trust-worthy, credible, direct, and results-oriented. They are better able to generate desired outcomes. Workers today need to be able to communicate effectively in order to increase their credibility and effectiveness in dealing with coworkers, clients, customers and management. Assertive communication provides the speaking and listening skills necessary to productively relate in today's complex work environment.

August 6, 2010

IMA's Small Manufacturers Council Ditka's Restaurant, Route 83 and 22nd Streets, Oak Brook, 8:15 am-12:00 noon

Contact: Jim Nelson, 800-875-4462, ext. 3023, email: jnelson@ima-net.org

MARK YOUR CALENDAR . . .

WEDNESDAY, NOVEMBER 10, 2010

IMA Annual Sales & Use Tax Seminar

Presented by Joe Bigane, Wolf & Co.

NIU-Naperville Campus

\$125 IMA members and \$200 non-members

their organizations' performance in four areas: sales growth and recovery, human capital, continued cost reductions and credit management. In April 2010, Plante & Moran released its survey report, revealing some interesting findings.

Download the complete report at: <http://www.plantemoran.com/industries/Manufacturing/Pages/a-new-normal-cliche-or-reality.aspx>.

NAM urges Export-Import Bank to reverse decision

Recent decision on manufacturing mining equipment will cost jobs

On June 28, 2010, National Association of Manufacturers (NAM) President John Engler spoke with Chairman Fred Hochberg of the Export-Import Bank, urging him and his fellow board members to reverse the recent decision to deny loan guarantees for the sale of U.S.-manufacturing mining equipment to an Indian company, Reliance Power Ltd.

At risk is approximately \$600 million in equipment sales for the Wisconsin-based Bucyrus International Inc. and its suppliers, potentially causing the loss of as many as 1,000 jobs in the United States.

Engler issued the following statement on the Export-Import Bank's decision:

"This is a case of ideology winning over common sense and one thousand American jobs. The mine will be dug and the plant will be built. Advanced technology will be put to use to minimize the environmental impact. The only question is whether U.S. companies will supply the equipment or if Reliance Power will turn to non-U.S. suppliers.

"In Wisconsin and all across the country, American workers think the answer to that question should be clear.

"Export-Import Bank officials say the bank has limited options because a Congressional mandate and past litigation require it to consider environmental factors. Even if so, the facts in this case argue strongly for financing the deal.

"Further, if there is indeed a law that prevents the bank's approval based on narrow environmental concerns, then Congress should immediately act to provide the bank more flexibility so it can finance the project and support U.S. jobs.

"Supporters will claim that the bank struck a blow for the environment, but it's U.S. manufacturing employees who will feel the pain. The Export-Import Bank needs to change the policy, correct the mistake and get it right."

Manufacturers welcome national IP enforcement strategy

Combats intellectual property theft confronting manufacturers in the United States

The National Association of Manufacturers (NAM) President John Engler issued the following statement recently on the Obama Administration's release of its National Intellectual Property (IP) Enforcement Strategy:

"Manufacturers lose billions of dollars each year due to counterfeiting and IP theft. We commend the leadership of Vice President Biden and Intellectual Property Enforcement Coordinator (IPEC) Espinel as they put forward a first-ever strategy on this critical issue. Aggressive enforcement of IP laws and regulations both here in the United States and around the world is key to U.S. global competitiveness and the success of manufacturers in the U.S.

"The strategy highlights the need to ensure that global supply chains are secured and protected and that IP can continue to be a driver of the U.S. economy through innovation and the creation of manufacturing jobs. One of our top priorities is to combat the growing threat of product counterfeiting and piracy around the world, especially in China. IP theft overseas continues to harm U.S. exports and negatively impact our ability to create jobs.

"The NAM strongly supported the creation of the IPEC position as part of the PRO-IP legislation in 2008, and we are pleased to see this program coming to life to strengthen interagency coordination on these critical IP issues. The NAM has created a new International IP Task Force, comprising large and small member companies working for a more effective and aggressive U.S. approach to fighting international counterfeiting and piracy. We look forward to working with the Administration as it fully implements this strategy."

You're invited to attend a full-day workshop held before the Advancing Wind Power in Illinois Conference

WHEN: July 13th, 2010

WHERE: Peoria Civic Center, Peoria, IL

HOSTED BY: IMEC — Illinois Manufacturing Extension Center and Illinois State University — Center for Renewable Energy

Explore opportunities to supply the Wind Power sector, evaluate your capabilities relative to customer requirements, develop plans for penetrating the market, and make connections with wind turbine technology companies.

The registration price is \$199 per person.

Thanks to the Department of Commerce and Economic Opportunity, employees of Illinois manufacturing companies who attend the July 13th "Building the Wind Supply Chain: Next Steps" workshop will be eligible to receive up to a 50 percent rebate on their registration fee.* The grants are being provided through DCEO's Employer Training Investment Program.

To register now, or for agenda and speaker information, please visit the Center for Renewable Energy website at <http://renewableenergy.illinoisstate.edu/wind/conferences/SupplyChainJuly2010.shtml>.

For details on attending the IWWG fourth annual Advancing Wind Power in Illinois Conference, July 14-15, 2010, also at the Peoria Civic Center, which requires a separate registration, please visit <http://renewableenergy.illinoisstate.edu/wind/conferences/AnnualConference2010.shtml>.

**To receive the price discount, registrants will need to complete a short application form. This form will be available for completion on the day of the workshop.*



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