July 21, 2014

Mr. John Murphy
Chair, Economic Classification Policy Committee
U.S. Census Bureau
Room 8K157
Washington, D.C. 20233

Submitted via regulations.gov


Dear Mr. Murphy:

On behalf of the National Tooling and Machining Association and Precision Metalforming Association (hereinafter, “One Voice” or “Associations”), please accept these comments regarding the Notice of Solicitation for Proposals to Revise Portions of NAICS for 2017 (“NAICS for 2017”). One Voice strongly disagrees with the Office of Management and Budget (OMB), Economic Classification Policy Committee (ECPC) recommendation to classify Factoryless Goods Producers under NAICS 31-33. Therefore, we focus our comments primarily on “Part V. Update on the Treatment of Manufacturing Units That Outsource Transformation.”

The National Tooling and Machining Association’s 1,400 member companies design and manufacture special tools, dies, jigs, fixtures, gages, special machines and precision-machined parts. Some firms specialize in experimental research and development work as well as rapid prototyping. Many NTMA members are privately owned small businesses, yet the industry generates sales in excess of $40 billion a year. NTMA’s mission is to help members of the U.S. precision custom manufacturing industry achieve business success in a global economy through advocacy, advice, networking, information, programs and services.

The Precision Metalforming Association is the full-service trade association representing the $113-billion metalforming industry of North America—the industry that creates precision metal products using stamping, fabricating, spinning, slide forming and roll forming technologies, and other value-added processes. Its nearly 900 member companies also include suppliers of equipment, materials and services to the industry. PMA leads innovative member companies
toward superior competitiveness and profitability through advocacy, networking, statistics, the PMA Educational Foundation, FABTECH and METALFORM Mexico tradeshows, and MetalForming and Fabricating Product News magazines.

One Voice members are diverse but among others, are often classified under the following NAICS: 332119 (Metal Crown, Closure, and Other Metal Stamping (except Automotive), 333511 (Industrial Mold Manufacturing), 333514 (Special Die and Tool, Die Set, Jig, and Fixture Manufacturing), 333515 (Cutting Tool and Machine Tool Accessory Manufacturing), 333517 (Machine Tool Manufacturing), 336370 (Motor Vehicle Metal Stamping).

**Foreign Content – Reshoring, Trends, and the Deficit**
The Associations and their member companies are among the nation-wide leaders of an effort to reshore manufacturing to the U.S. We host purchasing fairs around the country targeting OEMs, and advertise the competitive costs our members offer and the superior quality that an American made product provides.

To convince larger multinational manufacturers to either invest in the U.S. or reshore their outsourced work, we need to provide them the most complete data available to demonstrate an industry’s ability to meet increased demand. Including Factoryless Goods Producers under the manufacturing classification will incorrectly give investors the impression more production employees exist than in reality. Worse yet, under the proposed reclassification, thousands of white collar jobs with much higher salaries are included under the average wages using Bureau of Labor and Statistics (BLS) data. This could turn potential manufacturing investors away from expanding or building facilities in the region. The U.S. Government should develop policies, which encourage manufacturing in America; the ECPC proposal runs contrary to this goal.

Industry also uses the data to recognize short and long-term trends in foreign content for finished goods. As downstream suppliers, our members need to know from where the OEMs are sourcing their components and whether they are increasing or reducing their foreign content. This detailed data is also important to help policymakers monitor any import surges of particular goods and their causes.

From a broader two and three digit NAICS perspective, including Factoryless Goods Producers in the manufacturing sector and subsector classification will dramatically distort our trade deficit data. The very purpose of the NAICS is in its name, the “North American Industry Classification System.” Expanding the NAICS beyond North American operations through this proposed change violates the intent of the data tracking system. The inaccuracy this creates will lead to artificially increasing the level of exports while leading to a lower reported level of imports. Our policymakers need accurate trade data reflecting the realities of their decisions.

The ECPC proposal, intentionally or otherwise, will also drastically alter how the government calculates our international trade data and the tracking of imports and exports. The counting of overseas production activities as domestic manufacturing again undermines the purpose of the NAICS classification system – to account for North American operations. This change will
clearly result in more recorded goods exported from the U.S. and a reclassification representing an increase in service imports, thus masking the actual trade deficit. The level of the U.S. trade deficit is of growing concern and those negotiating agreements with other countries need to see the real data.

**Domestic Productivity Data**

Throughout the Federal Government, policymakers maintain several definitions of manufacturing, but central to each of those is modification or production of a physical product. We are extremely concerned that including Factoryless Goods Producers will significantly dilute the data industry and policymakers use to make decisions affecting manufacturing in America.

This proposal will cause downstream manufacturing suppliers to face challenges when identifying where production actually takes place and what segments of the economy to target. Our Associations rely on NAICS to develop industry studies tracking growth and contraction among our manufacturing member companies. These economic trend indicators are an invaluable tool for a downstream supplier trying to identify potential customers and gauge the available workforce.

Our members are small and medium sized middle market manufacturers who lack resources compared to much larger OEMs who have their own in-house economists. Therefore, we use data, sourced from NAICS, that is compiled by a number of federal agencies ranging from BLS and the International Trade Administration (ITA) to the Occupational Safety and Health Administration (OSHA) and Environmental Protection Agency (EPA).

Despite the ECPC’s assertions, simply “accepting the entrepreneurial risk of producing and bringing goods to market,” does not make someone a manufacturer. This classification will include thousands of financiers, brokers, and others who have little or no direct involvement with production activity. The resulting data distortions affect wage data, job training program funding, worker’s compensation insurance rates, and a multitude of other economic indicators, which rely upon NAICS data.

OSHA is an example of an agency that uses NAICS to indentify industries and track workplace safety and incident data. How will regulators and inspectors within OSHA differentiate among the businesses? Will their data reports separate Factoryless Goods Producers from real manufacturers? There are a number of unforeseen implications of changing NAICS just within OSHA, as a primary regulator of U.S. manufacturing.

In addition, including Factoryless Goods Producers will unnecessarily include countless employees and facilities under manufacturing emissions for EPA regulations. The government often sets standards for certain industries and regions to achieve based on NAICS data. This proposal effectively “moves the goalposts” and could require communities to further restrict economic production activities to remain compliant with Greenhouse Gas and other emissions standards.
Conclusion
Industry, policymakers, investors and the general public need access to the most complete and accurate data available. A number of resources within the NAICS already exist to help identify the indirect economic contribution of Manufacturing NAICS 31-33. The ECPC recommendation, however, will hurt, not help shed light into the true benefits of North American-based manufacturing.

One Voice represents nearly 3,000 manufacturing companies who physically produce a good or modify an existing product. These are the actual businesses who make up the backbone of the U.S. economy. This classification change will create a new class of “phantom manufacturers,” which does not accurately represent the sector, nor its contributions. We believe the term Factoryless Production Goods undermines the hard work of millions of manufacturers who dedicate their lives making products which defend our country, move our citizens, and heal our ailing.

We ask that the Administration reject the “NAICS for 2017” recommendation and not distort critical data used by government, industry, academia, and the public.

Thank you for your consideration of these comments.

Sincerely,

William E. Gaskin
PMA President

Dave Tilstone
NTMA President