



August 2014



Planning to meet up with fellow HMA members in Williamsport? That's where you'll have the opportunity to talk hardwood, compare notes, meet new contacts and tour six great facilities. Here's where we'll be going.

On **Wednesday**, September 24, we'll tour the facilities of HMA members, Wheeland Lumber Company, Patterson Lumber Company, Inc., Cummings Lumber Company and their subsidiary, Barefoot Pellet Company. And before calling it a day, we'll gather for an evening of good food, cooling refreshments and lots of networking opportunities, topped off with a short presentation by industry friend, Gerry Roskovensky of Koppers, Inc.

Then on **Thursday** morning, industry friends - Lewis Lumber Products and Koppers, Inc. - will be welcoming our hardy HMA troupe into their fine facilities. If all goes according to plan, by Noon we'll be heading for home with yet another successful HMA Regional Meeting under our belts.

Don't let this industry event slip through your fingers. Visit www.HMAmembers.org for all of the meeting details. Then register to attend, either online or by placing a call to the HMA office at 412.244.0440. We'd love to hear from you.

Look who's Talking

The Wednesday evening dinner reception at HMA's upcoming Northeast Regional Meeting will include a short presentation from industry supplier, Gerry Roskovensky of Koppers, Inc., a leading manufacturer of pressure-treated wood products for the electric/communications and railroad industries. Gerry will be setting the stage for HMA's Thursday visit to Koppers' Susquehanna plant. What's so interesting about this facility?

The Susquehanna co-generation plant was built to dispose of **used** railroad ties and poles sent in from Conrail and various utility companies. At the facility, the used ties and poles are burned to co-generate power sold to Pennsylvania Power and Light (PP&L). (The system generates around 54 million kilowatts of power per year.) And steam from the plant is sent to the adjoining Koppers wood treating plant to run the treating process for new ties.

Don't miss this great information fest. Register to attend, today.

Hotel deadline fast approaching

Planning to attend HMA's Northeast Regional Meeting in Williamsport but have yet to finalize your hotel accommodations? Don't delay. Hotel rooms are filling up, quickly.

Reservations should be made by calling either of these adjoining Williamsport hotels:

- **Holiday Inn**, 100 Pine Street, **570.327.8231**
- **Holiday Inn Express**, 90 Pine Street, **570.327.5292**

Be sure to mention the Hardwood Manufacturers Association (HMA) to secure the \$109 (single/double) room rate. Hotel deadline is **August 23**.

Note: The region is serviced by the **Williamsport Regional Airport**. Arrange for a complimentary airport shuttle through your **hotel**. And remember, Breakfasts, Wednesday's Reception/Dinner and all Bus departures will take place at the Holiday Inn, **100 Pine Street**.

Returning to the Fold

A hearty "welcome" to **Kendrick Forest Products**, Edgewood, Iowa! Tim and Rhonda, great to have you back in the fold of the HMA. And we hope to see you in Williamsport for the Northeast Regional Meeting.

HMA TrendTracker Update Closing the Skills Gap

By Art Raymond

The job market is heating up. As reported in May's JOLTS data, job openings rose to 4.6 million, the highest level in seven years. Employers are looking to hire. Labor economists, however, believe that rise is attributable to a worrying fact: unemployed workers lack the skills required to qualify for those openings. A survey recently completed by consultants at Accenture found real evidence from private enterprise confirming that belief:

- 75 percent of survey respondents reported a moderate to severe shortage of skilled workers - those with a two-year associate degree or 12 to 24 months of training and/or experience. About 45 percent of U.S. manufacturing roles fall into the skilled category.
- 80 percent noted a moderate to severe shortage of highly skilled workers - those with a bachelor's degree or 36 months of training and or experience. About 35 percent of manufacturing jobs are considered highly-skilled.

Only 20 percent of manufacturing roles are described as unskilled or semi-skilled. **Few** unskilled jobs exist in today's high tech goods-producing economy.

Two other key findings were reported:

- Revenue losses that result from the skills shortage are costing companies *up to 11 percent of annual profits*. The primary financial impacts cover the entire spectrum of critical production concerns: quality, overtime cost, down time, cycle time, scrap, and order fulfillment time. The survey found the largest effect to be the **overtime** required to backfill production steps requiring skilled input. Manufacturing sectors of the economy, unlike others in services, are running an average of 3.5 overtime hours per week according to recent statistics.
- The work force is **aging** toward retirement with an average age of 44.1 years.

Goods production is a critical sector of our economy. Domestic manufacturing accounts for \$1.8 trillion of the \$17 trillion U.S. economy and, taken by itself, would rank as the world's tenth largest economy. And the average goods-producing worker earns \$1,036 working 40.5 hours per week versus his service sector brethren, who are paid \$799 for a shorter 33.3 hour work week. Manufacturing jobs are clearly more valuable than many other roles in our economy.

Any **remedy** for the skills gap must address the shortage of new entrants into the goods-producing work force. Currently we face a perception problem among those in the millennial generation just entering the labor market. These young adults must be convinced that today's work places are well-lighted, clean, cool and **not** the dark, dirty, and hot factories of their grandfathers' era. They already use technology in their daily lives and are just the people whose skill gaps can most easily be remedied. Video game players make great candidates for high-tech machine operators!

There is plenty of **blame** to go around regarding the inability of U.S. goods producers to secure a steady flow of skilled workers:

- The declining math and science proficiency of high school graduates
- The emphasis of high schools on preparation for college over vocational training
- Policies that limit the inflow of immigrants with manufacturing-related skills
- The inability of public work force training programs to keep up with rapidly changing manufacturing needs
- The failure of industry itself to establish internal training programs such as apprenticeships

The **skills problem** is an issue for U.S. manufacturers of all size, shape and sector. And while Accenture's survey covered companies with \$100 million + in annual revenues over a wide range of goods-producing sectors, its lessons can be learned by even the smallest companies.

In our **forest and wood products industry**, the presence of an aging work force may be a larger challenge. Taking advantage of the wealth of high tech lumber processing gizmos now available demands an immediate uptake of highly skilled workers to gain the optimum benefits. Innovative cures for the gap include:

- Increasing the availability of formal apprentice programs that provide training while offering pay and benefits such as healthcare
- Forming partnerships between community colleges and business to teach real industry experience
- Tapping into the supply of skilled veterans
- Offering formal technology and engineering certification programs in high schools

The late Nobel laureate Gary Becker believed that 70 percent of the total capital of the U.S. is found in the skills of its people. The ability to recover from downturns and resume growth is dependent on those skills. Countries that invest in educating their citizenry tend to experience higher economic growth and improving standards of living.

Bottom Line: As the Accenture report says, filling skilled job openings is not as simple as putting out help wanted ads. We're talking about a huge challenge that necessitates changing the minds of educators, elected officials, bureaucrats, and ourselves. Creating and maintaining a pipeline of employees with the requisite skills requires planning and real action. Every American will suffer the consequences of doing nothing. Time is of the essence. And it's beyond time for you to get involved!

The Future of Logging Careers Act

"On May 7, 2014, Congressman Raul Labrador (R-ID) introduced H.R. 4590, the Future Logging Careers Act, in the United States House of Representatives. The Bill would help to ensure that the 16 and 17 year old sons and daughters of family-owned timber harvesting businesses are able to begin following in the footsteps of their parents by amending the Fair Labor Standards Act to allow for the exemption."

Visit www.washingtonwatch.com/bills/show/113_SN_2335.html to read and comment on the Bill, to alert industry colleagues and to **write** your Representatives in Congress.

More than just talk

By Linda Jovanovich

HMA Executive Vice President

The severity of the skilled labor crisis in our industry, and manufacturing in general, didn't hit home for me until our recent Lake States Regional Meeting. Riding on the bus and listening to members voice their concerns; touring the many host facilities and learning of their labor challenges were eye openers for me. And like so many others I too am asking, who is trained and ready to step in for the soon to be retiring baby boomers who for the past 30+ years have tirelessly performed the labor intensive jobs required by our industry?

I know that there is no swift or easy fix. Changing the mind-set of parents to accept that not every child needs to attend college in order to be deemed successful; influencing school administrators (and ultimately federal and state officials) that curriculum changes are necessary in the K-12 levels; bringing awareness to scores of young people regarding the many fulfilling career paths that are available to them by pursuing a trade or a technical skill are the urgent challenges before us all. (Be sure to read Art Raymond's "**Closing the Skills Gap**" article in this issue of the *Link*.)

Plus, how do we bring pride and commitment back into the spirit of the American worker? I question raising the minimum wage of an hourly Burger King employee when I rarely receive my order successfully filled "My Way," but rather the way of the young, disinterested, starry-eyed attendant at the Drive-Thru. **And** after watching the "repair" of a tie wall in our office complex parking lot, I really question the American work ethic.

Three men spent the better part of Day #1 of the project **looking** at the wall to determine how they were going to replace the decayed ties. (It was obvious they weren't prepared for the dirt and debris that cascaded onto the lot, as the rotten ties were removed. **Oops!**) They made phone calls; smoked cigarettes; ate lunch; made more calls; smoked more cigarettes. By the time they called it a day at 3 p.m., one tie had been anchored in place; 20 more to go. It was pretty obvious this was their first rodeo.

I could hear my engineer husband saying, "If they bid that job time & materials, they are already severely over budget!" Yep. By the end of the week the job was completed. Two sections of the wall were replaced. Commitment to a respected work ethic? Pride in our work? We need to get this back and here's a good starting point.

Joining HMA members at the 2015 National Conference and Expo is **Jerry J. Jasinowski**, the former President and CEO of the National Association of Manufacturers and Founder and Past President of the Manufacturing Institute. Jerry will address the **Skilled Labor Crisis in America** and discuss what each of us needs to do to change this current trend. Mark your calendars and plan to join us in Nashville, Tennessee, March 25-27, 2015. Registration information will be available in September.

Taking employee development to the next level

Good managers are those performers who take great care in accomplishing the tasks placed before them. But **Extraordinary Managers** (EMs) are those that “kick things up a notch.”

Just like their counterparts, EMs are well organized, sound decision makers, and thoroughly responsible to their employer, customers and suppliers. But what puts them over-the-top is their strong desire and exceptional ability to develop their employees. They accomplish that by providing:

Autonomy and Independence - are at the heart of employee engagement and satisfaction - “I care when it's mine. I care when I'm in charge and feel empowered to do what's right.” And “freedom breeds innovation.” So whenever possible, “give your employees the autonomy and independence to work the way they work best. When you do, they almost always find ways to do their jobs better than you imagined possible.”

A true sense of Purpose – begins “with knowing what to care about and more importantly, why to care.” When employees “know what you want to achieve for your business, for your customers, and even your community,” they buy in. Most everyone wants to be part of something “bigger.” And who doesn't love “that sense of teamwork and esprit de corps that turns a group of individuals into a real team?”

Opportunities to offer significant Input – Creating an environment where employees are comfortable offering suggestions and/or creative ways to get things done is a sure fire way to ensure employee engagement. “Out-of-the-box-thinking” employees care about the company. Be sure they “know that their input is valued and appreciated.”

Public Praise – It's easy to acknowledge the best employees but “a few words of recognition--especially *public* recognition--may be the nudge an average performer needs to start becoming a great performer.” So while you may have to look hard for reasons to praise the employee “who simply meets standards,” make the effort. Everyone excels in something. Be sure to make it known to all.

A chance for a meaningful future – “Employees will only care about your business after you first show you care about them. One of the best ways is to show that, while you certainly have hopes for your company's future, you also have hopes for your employees' futures. How can you know what an employee hopes to do someday? Ask.” **Extraordinary Managers** invest the time it takes to grow their employees to the next level “even if that job is with another company. Every job should have the potential to lead to greater things.”

Information source: “10 Things Extraordinary Bosses Give Employees,” by Jeff Haden Contributing Editor, *Inc. Magazine*, www.inc.com.

To wash or not to wash - that is the question

It's summer. Fresh fruits and vegetables are plentiful. But are they safe to eat? The *Wall Street Journal* asked Dr. Michael Doyle, the University of Georgia's Center for Food Safety Director, just that and more. Here's what he said.

The two main concerns are **pesticides**, which government studies show “tend to be at levels that are below health concerns,” and **microorganisms** - salmonella, certain strains of E. coli and listeria - often found in fruits and veggies that have been tainted by bacteria spread through contaminated irrigation water.

For healthy bodies able to fight off minor infections, small amounts of bacteria are not life threatening. But pregnant women, the elderly and the very young are at greater risk. What to do?

- “Washing produce with tap water should help reduce residual pesticides and any dirt on the surface, where listeria and other bacteria often harbor.” However, should microorganisms be deep into leafy produce that has been cut or chopped (like bagged salad or spinach) “the extra washing you do at home isn’t going to help.”
- Doyle recommends consumers lessen the threat by buying head lettuce, rather than bagged salad, and doing their due diligence when it comes to “washing.” Once the outer leaves have been removed and hands have been thoroughly washed, rinse the remaining leaves well, and be sure to refrigerate unused portions. A 20-second wash under the tap should do the trick. Do the same with basil, cilantro, parsley, rosemary and like herbs.
- Doyle also recommends consumers “avoid eating alfalfa and bean sprouts unless they are **cooked**.” The manner in which they are grown, along with unhygienic production, can foster bacteria.

Visit www.fda.gov to learn more.

Hardwood Federation Update Fitting into EPA’s “Tailoring Rule”

By Dana Lee Cole
Hardwood Federation Executive Director

In the last few days of its spring session, the Supreme Court issued the long awaited decision on the “**Tailoring Rule**.” In so doing, the Court set some side boards around the Environmental Protection Agency’s (EPA) authority regarding permitting greenhouse gas (GHG) emissions from stationary sources of air pollution.

The ruling in the case of *Utility Air Regulatory Group (UARG) v. the U.S. Environmental Protection Agency* featured a couple of key components. One, the Court ruled that GHG emissions alone do not trigger an existing facility’s obligation to obtain a Prevention of Significant Deterioration (PSD) or Title V permit under the Clean Air Act. (PSD and Title V are the two main tools that Clean Air Act uses to regulate major stationary air sources.) The Court followed however, with a **stipulation** that does require a large facility to account for GHG emissions if it is either a new source or is an existing facility that is in the process of applying for a PSD or Title V permit for any other pollutant—so called “anyway sources.” In this case, the source would have to comply with a BACT limit (Best Available Control Technology) for GHG emissions.

So what does this all mean?

The Court laid down two key markers:

- If a project includes a physical or operational change at an existing source that will cause a significant increase in conventional pollutants, that project **will require** a PSD permit, and that permit must include a BACT limit for GHGs or any other regulated pollutant.
- However, if a project does not trigger PSD for a conventional pollutant, then **no PSD** permit is required– even if the project will substantially increase the source’s GHG emissions.

One issue that does remain unclear is the validity of de minimis thresholds in the Tailoring Rule. When it “tailored” the Clean Air Act, EPA had set 75,000 tons per year as the threshold that would trigger permitting requirements and BACT for GHG emissions. The Court held that EPA was within its rights to set a de minimis level, however it was not convinced that EPA had justified why 75,000 tons per year is the right level. The ruling left some uncertainty around whether the BACT portions of the Tailoring Rule are being

remanded to EPA for reconsideration and whether that level may be changed, either by EPA or by directive from the DC Circuit Court.

The Hardwood Federation has been closely following this case because of its tie into how EPA may treat carbon emissions from **biomass** combustion. Several years ago, EPA issued guidance stipulating that use of biomass for energy may be considered BACT for controlling GHG emissions. This is **good news** and would be even better if it were incorporated into the current rule making. The Supreme Court's decision did not address biomass specifically, but EPA staff working on the "biogenic framework" were certainly paying attention.

The Forest Products industry, including the Hardwood Federation and other participants in the biomass value chain, eagerly awaits EPA's biogenic framework which will dictate how carbon emissions from biomass will be handled. The concept of carbon neutrality for biomass fuels hangs in the balance.

As soon as this document is released, we will be analyzing the proposal and preparing an advocacy strategy and swift response, should one be necessary. There will be a comment period for stakeholder input and we intend to be an integral part of that process. As always we will keep you updated...stay tuned!

Changing Paths: Lessons From the Forest

By Jeff Howe, Ph.D.

Dovetail Partners, Inc.

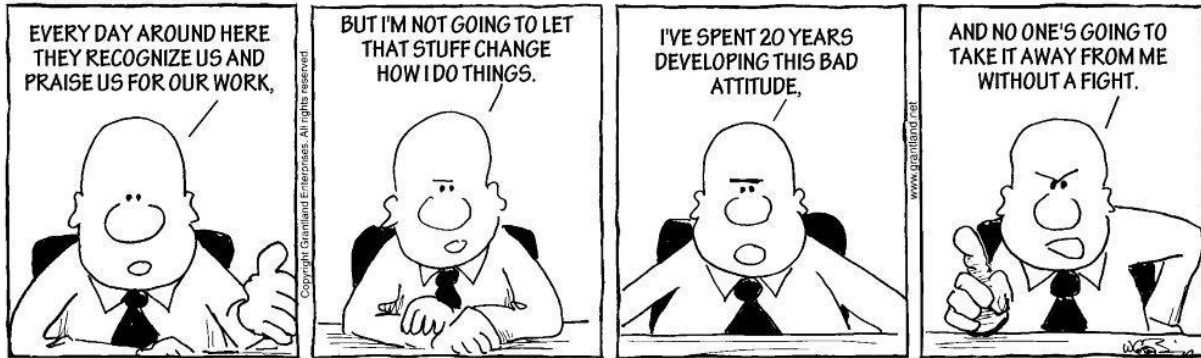
"The Intergovernmental Panel on Climate Change (IPCC) recently released another report on climate change. What's clear in their reporting is that man is having an impact on our planet, and that impact is likely to have consequences on a wide range of environmental issues including the global climate. What's also clear is that we have the ability to significantly address those impacts here in the United States... IF we want to. We have proven in the past that when we put our collective minds and hearts in it we can make a world of difference. Consider our nation's forests as an example.

For about 300 years, the developing United States used wood as a primary industrial raw material. It fueled our fires, fired our smelters, and was used to build our railroads, buildings, homes and most of our industry. In fact, by about 1900, we had largely decimated our forests and our wildlife across the country as we grew and expanded our economy. But then, at the turn of the century, concerned people changed our path. We started designating wilderness areas, national parks, and national forests. The US Forest Service, forestry schools, and forest research were begun to protect and manage forests in both public and private hands. And wise planners recognized that a healthy forest required a healthy forest products industry that valued that forest – so help for innovation and investment was provided there as well. We created a plan for our nation's forestland and wood use, and we've stuck to it for over a hundred years.

The results are clear. Since we created those plans our forest has recovered, associated wildlife has flourished, and total wood volume in our forest has grown dramatically; all of this during a period when the population of the US and our consumption of wood products greatly multiplied. Our forests aren't perfect, but we are using twice as much wood as we were when our forests were at their worst... and they have improved dramatically at the same time. History has demonstrated that the things we value can benefit from our policies and actions. ..."

Visit www.dovetailinc.org for the rest of the commentary.

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HMA Link is published each month exclusively for members of the Hardwood Manufacturers Association. Views expressed are not necessarily those of the HMA. *HMA Link* welcomes comments and questions.

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