

**"Made In America: Highlighting the Success  
of Small American Manufacturers"**

**Testimony of:**

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**Before the Committee on Small Business  
United States House of Representatives**

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**The Honorable Sam Graves, Chairman**

Good afternoon, Chairman Graves. Thank you for holding this important hearing today to highlight the value of manufacturing in the United States and thank you for the opportunity to talk briefly about the challenges and opportunities that lie ahead for US manufacturers.

My name is Bruce Broxterman and I am the President and CEO of Richards Industries, a privately-held manufacturer of industrial valves, located in Cincinnati, Ohio.

We have been in business since 1961 and our mission is to provide heavy duty valves to control flow, pressure and temperature for our customers in the process industries such as refining, chemical, petrochemical, pharmaceutical, food processing – just to name a few

We have six different product families that are made up of highly engineered products that are specifically designed to meet unique, individual requirements.

Richards Industries has been fortunate to experience solid growth over the past six years. After a management buyout in 2007 we have seen unprecedented growth of our revenues and profits. Over those six years our sales grew nearly 45% with net earnings improving at nearly the same rate and employment growing by 12% to just under 150 employees.

The deep recession of 2008 followed by a slow and uncertain economic recovery has resulted in a challenging business environment that even now is proving to be difficult.

Richards has grown by staying focused on the niche markets and taking care of our key financial fundamentals.

**Staying Focused:** Richards Industries continues to thrive as a manufacturer here in the US because of our single-minded philosophy of providing products to meet the “special” requirements of our customers around the world. These products are highly engineered solutions to difficult customer process problems. Manufacturing run quantities are low and precision is high.

**Agility & Flexibility:** Being a small manufacturer can be challenging but it provides the opportunity for us to be agile and flexible as we work to provide our customers with the fast response and product delivery that they need to be effective and successful in their operations. We are often asked to build an engineered custom product and ship it in less than two days and our Lean process structure and flexible approach enables us to consistently do it.

**International Reach:** Our products are used in every corner of the world. Despite our size, you will find Richards Industries products on drilling platforms off the coast of Brazil, in pharmaceutical plants in the heart of Europe, on gas pipelines in Central China, and in chemical plants in Kazakhstan.

In 2007, international sales represented just 19% of Richards Industries revenues. In 2012, international sales were 45% of the shipment total.

Richards Industries was among the winners of the Governor's Export Award in 2010.

**Financially Sound:** Along with increased revenues, Richards Industries has been able to achieve healthy levels of net income and cash flow, thus enabling the company to repay the debt taken on at the time of the acquisition while simultaneously reinvesting significant amounts of capital in the company. This reinvested capital has been used to generate further company growth and job creation.

**Talented Workforce/Special Culture:** At the heart of our success are the employees at Richards Industries. Our team is talented, experienced and creative but, most importantly, they are committed to excellence and performance bringing a "Consider It Done" attitude to work every day. Additionally, the family culture that runs through our company helps set up our team for success and has resulted in Richards Industries being chosen as the "Best Place to Work" five out of the last six years by a local Cincinnati business publication.

There are immediate and future challenges that threaten our ability to maintain our pattern of success as a manufacturer in the US. First among them is the structural cost of US manufacturing imposed by government tax policy, regulatory policies, and legislative initiatives. Richards Industries is structured as an S-Corporation and, therefore, the taxable income generated by the enterprise flows directly through to the personal tax returns of the owners of the company. High individual federal tax rates imposed on the owners siphon off precious capital that, but for the higher taxes, would be reinvested back into the company to purchase capital assets, grow the company, and create new jobs. High federal corporate tax rates have the same effect on entities structured as traditional C-Corporations.

The Manufacturing Institute estimates that these structural costs add a full 20% to manufacturer's costs of doing business relative to our major trading partners.

US health care costs have increased 80% in the last decade and we believe that much of this cost increase is attributable to government involvement in the insurance marketplace via coverage mandates. We believe that the expansion of government involvement in health care brought on by the implementation of the Affordable Care Act will put further upward pressure

on health care costs. Indeed, just last week the Ohio Department of Insurance announced that preliminary indications point to individual health insurance premiums increasing 88% in 2014 relative to 2013 rates. We anticipate similar premium increases for the plans we offer to our employees. Cost increases of this magnitude will in part be passed on to our employees and in part borne by Richards Industries, again diverting capital that would otherwise be deployed to grow the company and increase jobs.

Of equal concern is the shrinking supply of qualified workers. The manufacturing workforce is moving toward retirement at a faster rate than the rest of the economy and we cannot find qualified workers to fill positions as machinists, operators, and skilled assemblers. The US education system is not equipping American students with the right skills and in the right disciplines to support the manufacturing economy. This lack of qualified workers will impact US manufacturer's ability to compete in the global market while manufacturing products in the US.

I encourage this committee to continue to explore these growing challenges and to act to alleviate these accelerating headwinds.

I am very proud of the small part that Richards Industries plays in the nearly \$2 trillion US manufacturing sector and I am excited about the opportunities that lie ahead.

Thank you for your support as we move forward through these challenging times and thank you for the opportunity to provide testimony today.

I look forward to your questions.