

Testimony of Richard T. Najarian
President of Precision Global Systems (PGS Inc)
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Committee on Small Business
United States House of Representatives
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Good afternoon Chairman Graves, Ranking Member Velazquez and members of the Committee. Thank you for extending an invitation to provide testimony on behalf of Precision Global Systems and the many manufacturers throughout the country who would otherwise love to have this opportunity. I respectfully submit this testimony not only on behalf of Precision Global Systems, but also as a member of the Board of Directors, Chief Investment Officer, and Vice President of Premier Biomedical Inc., a company developing cures for Cancer, Traumatic Brain Injury, and Suicide Ideation. We are working with the University of Texas at El Paso and last week signed a Cooperative Research and Development Agreement (CRADA) with the U.S. Army. We hope to be manufacturing modules that will be used in the treatment and cure of many of the most debilitating and life-threatening diseases known to mankind.

Beginning in 1983, PGS has been providing products and services for some of the world's largest corporations in the automotive and defense industries. Since surviving the dramatic downturn which began in 2007, we have diligently helped support our customers' increased production volumes through creative cost savings programs by implementing high quality and environmentally responsible innovative manufacturing processes. Our capabilities are in component recertification, value add sub-assembly, as well as complete production assembly. The PGS team implements these processes at one of its three manufacturing sites, occupying nearly 200,000 sq. ft. located in S.E. Michigan. We ship over 3 million parts each month to customer locations throughout North America and beyond.

In order to survive during this difficult period, we like so many companies aggressively addressed every opportunity we faced with a sense of urgency and resolve that helped us survive and ultimately thrive in this newly defined manufacturing environment. I strongly believe there is no greater place to manufacture a product than in the United States for several reasons. First is the challenge. We are challenged everyday for process improvements, process capability, and process repeatability. The test of our group is the laser like focus of those in the positions of responsibility and authority. While added-value is created on the plant floor, it is the resilience and dedication of the entire team from the front office to the shipping clerk that keeps us on track. Second is the satisfaction. All passionate manufacturers truly care about what they provide, whether a product or a service. There is an absolute satisfaction when the parts going out of your plant meet or exceed your customer's expectations. We all revel in the knowledge that there is a PGS part on a car or a military vehicle.

Several years ago I wrote a letter to the employees of PGS to note some of the trends I was witnessing. As you well know, we were already in the midst of the recessionary events that created such turmoil in our economy. To be optimistic and energized with the economy falling fast is not an easy notion to grasp. I don't want to dwell on what was, but I do want to share a couple of paragraphs from that letter.

Excerpt from Letter to the Employees of PGS - March 5, 2007:

Mexico, Asia, and the Eastern Bloc have reined in companies willing to expose themselves to cultures as a way to survive, not necessarily a way to prosper. We may relish the thought of potential growth outside of our borders, but the answers to our current issues are in our backyards. Over time the same concerns and difficult questions will be asked, even if we buy a new chalkboard today. The capability of an organization is only as strong as its weakest

member. Whether it is a person, a factory, a division, or a technology. We are all subject to the same scrutiny by our customers, and therefore are subject to the criticism that may follow in our wake. The recipe for success lies in the ability to fix the ineffectiveness and inefficiencies wreaking havoc on your core business.

The tides change. The wind shifts. The water ebbs and flows. And the sun sets only to rise again. PGS has had wonderful days, and yet these recent days have been exceptionally slow. We will soon find growth and opportunity at our doorsteps, and with the systems recently implemented, we will have no hesitation to open the door and let it in.

We arrived at our place within the automotive industry by design. We do great things for great companies. We work behind the scenes of our customers who continue to waste millions of dollars in scrap, rejects, and wasteful processes. We have tasked ourselves to help them stop this absurdity. Our ideas will help reinvent their successes as well as ours.

Then in 2010, I issued yet another letter, but this time the ebb had receded and flow had begun for PGS. To share how we accepted nearly every job, project, or opportunity that was presented to us would seem boring to those that read this testimony. However, I can tell you this, we worked hard, maintained our sense of direction, responded with responsibility and integrity and showed up every day to do it again, and again, and again, and again....

There is an air of nostalgia when I think back on those days. Please take a second to read these three paragraphs from that letter.

Excerpt from Letter to the Employees of PGS - April 22, 2010:

Six months ago I began writing this letter, only to see more revisions than the weeks that passed. I only say this because you should know that the future of PGS was uncertain and that caused a multiplicity of indistinguishable rants on this keyboard. And so I start with the past and then move us to the future....The year was 2008 and the economy was on the brink of disaster. In many ways it provided a test of our resolve. How hard could our group be tested – and we were tested unlike any time in our 27-year history. The entire automotive manufacturing industry lay in ruin as Congress and the American public questioned our intelligence, our ingenuity, and our integrity.

Appropriate manufacturing techniques will need to be employed by every player in this industry. Strategy is not just doing it in-house or outsourcing specific processes. The industry needs to challenge not only what, but how they manufacture. Designing for the manufacturing process and working with the Tier 1 companies to think similarly is not just a desire but a prerequisite. They cannot merely react to a print or spec, but actually suggest and participate in the process. A rebirth of what's appropriate will surely find its way to the engineering and product development tables throughout Detroit.

So how will we all help? Cast no shadow on the questions each of us asks for they are the power of our future. Harnessing the power of success with innovation and determination will lead our company and our team into a very bright future and only we determine how our future shall unfold by the course of our actions and the strength of our spirit.

So here I am, writing to you as a Small Business Corporation from the great State of Michigan through an invitation that was started by our dear friends and colleagues at Automation Alley in the city of Troy. They have certainly found the recipe for networking companies to do business together for all the right reasons.

I was asked what I thought may be an obstacle in my growing manufacturing business in the coming months and years. What is it that I think would help if the SBA could somehow assist. Well, to be honest, it is a very deep and troubling question. Is it the tax code or a specific request to repeal a new tax on my company? Is it how we set-up our organization as an L.L.C., an S-Corp, or a C-Corp? Is it universal health care or the bureaucracy in permitting and expansion projects? Should I ask you to lift a regulation, or increase the Section 179 Expense Election? There are a number of tedious and cumbersome personal and corporate objectives that are laid out every day to your group and other groups just like you. Indeed these are all great questions and issues that you have no doubt taken up the cause to either settle or fix.

At dinner parties or with friends and family at the backyard BBQ, I find my thoughts and comments invariably gravitating to two fundamental ideas - **how do we incentivize a US manufacturer to do business with other US manufacturers AND how do we monitor and account for the waste that is the by-product of every manufacturing site?**

Idea #1:

Incentivizing one company to do business with another could be one of the most intriguing demonstrations of U.S. policy in years. Small Business Manufacturers based in the U.S. shall be granted Certification as such. Customers willing to use these companies as suppliers to their enterprise will be given a tax abatement against their building taxes, because it is the manufacturing building that houses the equipment and people that produce the product. Although there is a specific and unique formula that each city charges, their replacement funds would come from the U.S. Government.

Giving a federal tax incentive for work provided to a small business manufacturer would stimulate the economy, continue to assist more small businesses in gaining a better foothold on their specific product/service, and keep these factories still active and in the market. Market forces don't always favor the Small Businesses. While I believe in the free market as much as the next, there are times when assistance becomes not necessary, but imperative. Tax incentives can create a call to arms by even the largest of purchasing departments to focus more attention on U.S. based Small Business Manufacturers.

Front line buyers are typically unaware how their purchasing power can affect their community. Upper management may consider how they save money through supplier consolidation or shared product/material purchases. They may consider how they better brand their product or push themselves into new markets. Similar efforts are made on behalf of companies certified as minority, women owned, veteran, disabled veteran, 8a, etc. So why not extend the same opportunity to U.S. based Small Business Manufacturers (USSBM's)? Naturally, this would be a short-term program that would create a heightened awareness by purchasing departments of every large OE (original equipment) Manufacturer because it would put money back into their pockets

through tax-based incentives and grow the very core of the companies this Congressional committee represents.

Idea #2:

I cannot tell you how many manufacturing plants are self-proclaimed zero-landfill facilities. My regular routine involves the touring of some of the largest manufacturing facilities in the world - some exceeding 2 million square feet. One of the services PGS provides is the recertification of components that would have otherwise been scrapped during the manufacturing process. While touring these manufacturing facilities I observe the thousands of plastic caps and plugs that are collected and regularly sent to solid waste sites.

Plastic caps and plugs are utilized either for shipping from plant to plant or as assembly aids. These caps and plugs are used once as a way to either protect a seal, maintain fluid in an assembly, secure a wire, or assist in protecting a sensitive area during an assembly process. Quite literally thousands of tons of material are annually sent to landfills as a result of this seemingly innocuous process. We estimate approximately twenty (20) million pounds of plastic sent to landfills or dumps each year. Just because a plant has plastic material removed from their site does not qualify them as a zero landfill facility. Either they pay a waste company to dispose of the product or they put in it a "dump", which has a slightly different definition than a landfill. Regardless of how they "dispose" of this product, they should not be able to qualify themselves as zero landfill unless they have been certified as such.

LEED™ has become the standard for buildings erected or modified throughout the country. It is now time to establish a new standard for the manufacturing processes throughout the country that incorporates the same need to respond to environmental concerns. Plastic plugs and caps, cardboard, metal, fluids and chemicals, waste from grinding services, and by-product from non-traditional manufacturing all require consideration in assessing opportunity to enter a dump or landfill. Why not certify, via outside independent auditing and government oversight, whether a plant or facility really has done all that is possible to either reduce or eliminate the waste product entering our soil.

Again, thank you for the opportunity to present this testimony. I hope the two primary ideas I offered will be respectfully considered by this Committee as reasonable and possible. Further to this hearing I pledge my continued support and vigilance to these ideas and look forward to your desire in kind.