



EVAN R. GADDIS

President and Chief Executive Officer

November 21, 2008

The Honorable Barack Obama
President-Elect
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President-Elect Obama:

Congratulations on your election to become our country's 44th President.

I am writing to introduce NEMA to you and your team, to offer our assistance as a resource, and to provide some industry recommendations on policy matters.

The National Electrical Manufacturers Association (NEMA) is the nation's largest association representing 430 companies that manufacture electrical and medical imaging equipment. Our members serve a domestic market in excess of \$100 billion annually, export \$20 billion in goods, and represent about 350,000 U.S. jobs. Most important for your administration, NEMA is a leader in the drive to create a more energy efficient society, and in the effort to develop a modernized "smart" electrical grid in this country.

NEMA members' products are used in the generation, transmission, distribution, control, and end-use of electricity. These products are used in electric utility, industrial, medical imaging, commercial, institutional, and residential markets.

We have prepared a short executive summary of NEMA issues and recommendations, which accompany one-page issue papers on each issue.

NEMA looks forward to working with you and your Administration and the 111th Congress to enact a pro-growth, pro-competitive agenda that addresses energy policy, the environment, health care, taxation, consumer safety, worker training, and international trade. We stand ready to be a partner and reliable source of information about the electrical and medical imaging industries. Please keep us informed on how we can be of assistance.

Respectfully,

A handwritten signature in black ink that reads "E R Gaddis".

Evan R. Gaddis
President and CEO

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NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION
(NEMA)

ISSUES AND RECOMMENDATIONS

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EXECUTIVE SUMMARY KEY ISSUES AND RECOMMENDATIONS

NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION (NEMA)

ISSUE: Energy Policy and Climate Change

NEMA supports an energy policy that is comprehensive in scope and application. Energy policy must address energy efficiency and conservation, energy production and supply, energy transmission and distribution, as well as promotion of new technologies that promise greater efficiency and environmental protection. NEMA members are at all stages of the electrical energy process – from turbines and generators, to transformers and power cable, to lighting, motors, circuit breakers, and building controls at the consumer and end-user points.

Our society has arrived at the intersection of two energy eras. The forces of climate change and increasing fossil prices herald an imminent diversification from a carbon-based economy to a more balanced portfolio. The wind, sun, tides, and atom will propel an increasing share of our factories, homes, and vehicles (including plug-in electric vehicles), yet these new sources are alternatively less reliable and less flexible. Our electricity grid is the means by which these new sources will be delivered and will require technology to manage their characteristics. In addition, our homes and buildings are significant users of energy and lack utilization of today's off-the-shelf energy efficient appliances, building controls, and technologies.

Recommendations:

Energy Supply:

- Establish a predictable and long-term production tax credit (e.g., 8 years) for renewal sources of supply, and double federal funding for wind, solar, geothermal, and ocean R&D funding.
- End the moratorium on exploration and production of oil and natural gas in the outer Continental Shelf.
- Commit to and expand nuclear energy use.
- Accelerate clean coal technology development.

Energy Transmission/Smart Grid:

- Fund the Smart Grid Interoperability Framework provisions of the Energy Independence and Security Act of 2007 being implemented by the National Institute of Standards and Technology (NIST).
- Fund and implement energy storage and smart grid demonstration projects at the Department of Energy per EISA 2007.
- Fund and implement the 20 percent investment tax credit match for smart grid technologies that will assist manufacturers and utilities deploying the new technologies.
- Enact a 10-year accelerated depreciation for electric utility distribution equipment purchases.
- Change the “transmission facility” rate recovery language to include “renewable electricity connection facility” so that power electronics and high-voltage direct current technologies can be deployed to support renewable resources.

Energy Efficiency:

- Provide sufficient resources at the Department of Energy to ensure that energy-efficiency product standards for appliance and commercial equipment are promulgated in accordance with legislation.
- Increase the tax deduction to \$2.25 per square foot for energy-efficient Commercial Buildings that reduce energy consumption by 50% over the base building code (ASHRAE 90.1-2001).
- Provide incentives for states to enact energy building codes; and provide training and other assistance for enforcement of building codes.
- Fund the High Performance Green Building and Commercial Building Initiative provisions of EISA 2007 with an aim of increasing the efficiency of buildings by 50% by 2030.
- Increase funding for the Department of Energy’s solid state lighting (LEDs and OLEDs) research, development, and deployment program to the authorized level of \$50 million (section 912 of Energy Policy Act of 2005)

Climate Change:

- Incent the deployment of energy efficient technologies and products through Climate Change policy.
- Fund research, development, and deployment of advanced technologies to reduce greenhouse gas emissions.

ISSUE: Environmental Design and Stewardship

Electrical manufacturers have a long history of being proactive in removing and reducing the use of certain substances (such as lead, mercury, cadmium, etc.) in the design and manufacturing of products. The industry as a whole seeks to produce products that

perform safely and are environmentally-friendly for national and global markets. As such, the industry announced in 2006 a voluntary commitment to achieve the elimination or reduction of various substances in electrical products by July 2010 on a global basis. The industry has underway a comprehensive evaluation to seek additional substance reduction targets or alternative stewardship measures for more electrical products by 2014.

Recommendation:

- Support federal legislation that would codify the industry’s 2010 commitment by establishing a national standard for certain restricted substances in specified electrical products. This would provide for a level, competitive playing field for both domestically manufactured and imported products and prevent a patchwork of regulatory requirements.

ISSUE: Medical Imaging and Health Care Reform

A comprehensive approach to health care reform is vital to our long-term economic progress and future job growth. Rising health care costs are one of the biggest challenges facing manufacturers. Within NEMA, the association represents the manufacturers of medical imaging and therapy systems technologies. These technologies play a critical role in early diagnosis of disease, improving patient care and outcomes, keeping people healthy and productive, and in reducing overall health care costs.

Recommendations:

- The value of medical imaging technologies needs to be recognized and supported in any reform legislation.
- Implementation of Section 135 of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) related to appropriateness and accreditation to ensure medical imaging equipment used in outpatient settings are up-to-date and the staff performing exams are properly trained.
- Development of a national “comparative effectiveness” organization that is grounded in science is needed to maintain access to clinically effective procedures, including imaging services.

ISSUE: International Trade

The U.S. electrical and medical imaging equipment industries run a sectoral trade surplus with trading partner nations. This has been accomplished through the reciprocal opening of foreign markets through the elimination of tariff and non-tariff barriers worldwide. As economies around the world grow, manufacturers seek access to these new and

developing markets. With the U.S. domestic market largely open, free trade agreements serve to level the trading field for U.S. manufacturers.

Recommendations:

- U.S. negotiators should pursue all avenues for advancing free trade in electrical and medical imaging goods, be they bilateral, regional, or multinational.
- Presidential “Trade Promotion Authority” (TPA), which expired on July 1, 2007, should be renewed as soon as possible.
- Addressing and enhancing the effectiveness of the Trade Adjustment Assistance program should be considered in the context of the Trade Promotion Authority debate.
- Labor and environmental provisions should be included in Free Trade Agreements in accordance with the “May 10 Agreement”.
- Bilateral trade agreements concluded with Colombia, Panama, and South Korea should be ratified by Congress.

ISSUE: Product Anti-Counterfeiting

Counterfeit electrical equipment is a growing problem. It is often substandard and unsafe, posing a serious threat to public safety. For consumers and commercial buyers the risk of deception is high and the quality of counterfeits is often very low. The risks are high because the short-cuts that counterfeiters take to cut costs and compromise safety are usually not visible. Public policy must be one of zero tolerance for those who manufacture and traffic in counterfeit electrical products.

Recommendations:

- Prompt implementation of the Intellectual Property Rights Act of 2008 including the naming of a White House Intellectual Property Enforcement Coordinator to run the new intellectual property interagency advisory committee.
- Sufficient resources must be allocated and deployed to protect our domestic borders as well as to work with our trading partners to ensure that their borders are similarly protected.

ISSUE: Consumer Product Safety

In the wake of several high-profile recalls of consumer products, especially children's toys, the Consumer Product Safety Commission (CPSC) was criticized for failing to fulfill its mission. In response, Congress passed the Consumer Product Safety Improvements Act of 2008 to bolster the resources and authorities of the CPSC.

Recommendations:

- Fully fund and staff the Consumer Product Safety Commission.
- Promptly name Commissioners to restore the Commission to a functioning five-member body.

ISSUE: Occupational Safety and Health

The U.S. electrical safety system, which is principally based on third-party certification before products can go on the market, has been successfully ensuring public safety in this country for more than a hundred years. OSHA's Nationally-Recognized Testing Laboratory (NRTL) Program oversees the system at minimal cost to the taxpayer. Both U.S. and foreign testing laboratories have qualified for NRTL accreditation and products can be tested for compliance either domestically or overseas.

Recommendations:

- Maintain the current NRTL-based safety system for electrical products and reject the supplier's declaration of conformity (SDOC) approach.
- In response to the October 20, 2008 OSHA request for information (comments due January 20, 2009), reaffirm the current U.S. electrical safety system.

ISSUE: Security for Airports, Ports, and Mass Transportation

Our nation's airports, ports, and mass transit systems serve millions of people per day and are a critical element of our infrastructure as well as our open economy and society. Securing these assets from terrorist threats falls to the Department of Homeland Security, its Transportation Security Administration, and other DHS agencies. Advanced technology – Digital Imaging and Communication for Security (DICOS) – is in development to integrate existing and future approaches to detect and mitigate explosives and other threats while meeting requirements for automation, efficiency, and cost reduction. DICOS is a set of protocols for security-imaging equipment.

Recommendations:

- Fully fund and support the standards development of Digital Imaging and Communication for Security (DICOS).

- Promote the adoption and use of DICOS at airports, with further expansion to ports and mass transit.

ISSUE: Regulation of Chemicals

The U.S. approach, as codified in the Toxic Substances Control Act, is a risk-based system and provides broad authority to the Environmental Protection Agency to require manufacturers to track health effect information and provide risk assessment and chemical testing data. TSCA, together with the High Production Volume Challenge Program, Toxic Release Inventory, and Chemical Assessment and Management Program, fosters a regulatory regime of both responsibility and innovation, each needed in a globally competitive world.

Recommendations:

- Support regulation of chemicals on a risk-based approach under the Toxic Substances Control Act (TSCA).
- Reject application of the “precautionary principle” approach used in Europe as the basis for U.S. chemical regulation. The EU approach adds significant costs without commensurate environmental health and safety benefits.

ISSUE: Taxation and Inventory Methods

Last-In, First-Out (LIFO) is an inventory accounting method used by companies to determine both book income and tax liability. It is used by manufacturers, distributors, wholesalers, and retailers of all sizes. It is particularly used by small businesses because of thin capitalization and those sensitive to rising supply and materials costs. LIFO has been in the U.S. tax code since 1939.

Recommendations:

- LIFO and FIFO (First-In, First-Out) inventory accounting methods should both be retained for companies based on their particular needs and type of business.
- Repeal of LIFO would not only be burdensome and unnecessary, it would result in a massive tax increase on many businesses. Repeal of LIFO should be rejected.

NEMA ISSUE BRIEF



November, 2008

ISSUE: Energy Efficiency: The First Energy Source

Energy efficiency is the cheapest, cleanest, and quickest source of electricity, and it's at the customer location where it is needed. However, adoption of energy-efficient technologies lags behind the needs, particularly in existing facilities.

IMPORTANCE

Energy efficiency is essential to reduce reliance on foreign sources of energy and reduce pollutants, including greenhouse gases, while improving U.S. competitiveness, productivity, residential and industrial cost containment, and quality of life. Buildings consume about half of the energy used in the United States, and retrofitting state-of-the-art lighting and climate control systems into existing buildings can save 50 percent or more of the current energy use; new buildings can save even more with the efficiency designed in.

POSITION

NEMA supports federal government energy-efficiency product requirements based on industry consensus standards. As products are made for national markets, standards, test procedures, and labeling must be uniform state-to-state to promote free interstate commerce and a strong national economy.

Many NEMA consumer and commercial products are covered by national energy-efficiency standards. A practical strategy for achieving the maximum proven efficiency in the shortest amount of time is to retrofit these products into existing facilities.

As the largest user of energy in the nation, the federal government should set the example for energy efficiency in its facilities through building standards and product purchase policies.

Technology investment in the electrical transmission and distribution network is needed to enhance capacity, efficiency, and reliability of the grid.

While federal funding for research and development is essential, such as that being conducted for solid state lighting, for more efficient products for the future, many off-the-shelf products are available that can make a dramatic difference today.

Financial incentives, such as tax incentives and utility rebates, can and have encouraged installation of the best systems by reducing the length of time needed to pay back the initial investment. Incentives can also lead to market transformation where highly efficient products become standard practice as prices come down and customers come to see the benefit.

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NEMA ISSUE BRIEF



November, 2008

ISSUE: High Performance, Green, “Net Zero” Commercial Buildings

There are an estimated 5 million commercial buildings in the U.S. which represent over 72 billion square feet. About 2 billion square feet of new commercial buildings are built each year, and about 2 billion square feet are renovated or retrofitted each year. Buildings have a major impact on our health, safety and welfare and there are significant opportunities to design, construct and operate buildings in a more efficient manner that reflect our concern for these impacts.

IMPORTANCE

High-performance buildings, which address human, environmental, economic and total societal impact, are the result of the application of the highest level design, construction, operation and maintenance principles—a paradigm change for the built environment.

Our buildings consume 40% of the primary energy and 70% of the electricity in the U.S. annually. The construction of buildings and their related infrastructure consume approximately 60% of all raw materials used in the U.S. economy. Buildings account for 39% of U.S. CO₂ emissions a year. Advances in building envelope, equipment, and lighting, and integrated systems make it possible to achieve 50-70% reduction in a building’s energy use. The use of “smart” building systems can integrate sensors, controls, and inputs from various building systems into an integrated building management system that can optimize comfort and energy efficiency. And the use of on-site generation, such as solar, can make it possible for buildings to become self-sustaining (“net zero”) and even net energy producers.

POSITION

NEMA was a leading advocate for the establishment of the energy-efficient Commercial Building Tax Deduction (Section 1331) in the Energy Policy Act of 2005. This deduction provided building owners up to \$1.80 per square foot in offsetting the increase cost of installing energy efficient interior lighting, HVAC and hot water, and building envelope technologies that reduced the building energy consumption by 50% from the ASHRAE 90.1.2001 code. The tax deduction was extended by Congress and is now available thru December 31, 2013. Field experience, however, has shown that \$2.25 would provide a better incentive than the \$1.80, and Congress should increase the deduction.

Stronger building codes that are performance based and easy to implement also make a significant difference in energy reduction. Adoption of energy codes are the responsibility of state and local governments, and the federal government needs to provide incentives to the states to adopt such codes, and to offer assistance so that the codes are enforced. Wide code adoption could result in a 50% improvement in building performance by 2030.

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NEMA ISSUE BRIEF



June, 2008

ISSUE: Advanced Technologies for Renewable Energy Transmission

The distance between renewable resources and their end users presents unique technical challenges that can be addressed with advanced power electronic devices. These technologies should be treated as transmission facilities for the purposes of rate recovery.

IMPORTANCE: Power Electronics Needed for Reliable Transmission

Power electronics, such as phase shifters, inductors, and capacitors, are an integral component of trunk lines and should be eligible for cost recovery. When transported by Alternating Current (AC), the delivered energy can be measured by multiplying current (the “flow” of electrons) times voltage (the force pushing the electrons) and is maximized when current and voltage are in sync. Unfortunately, long-distance transmission lines tend to separate these two components, reducing the amount of usable energy. This reduction is known as reactive power. Poor reactive power control can lead to motor malfunctions, increased losses, and in extreme cases, blackouts. Power electronics can correct the lag caused by a transmission line and push current back together with voltage.

In addition to traditional AC transmission systems, High-Voltage Direct Current may be suitable for specific applications. Instead of three AC conductors, HVDC lines can provide equivalent capacity using two conductors and can also be buried underground, reducing right-of-way requirements. HVDC systems convert AC to DC at stations located on each end of the line, and these stations can sync the current and voltage as needed to match system conditions. Because the conversion stations are an additional expense compared to AC systems, HVDC lines are typically cost-competitive with AC over longer distances.

POSITION: Inclusive Definition of Facilities

NEMA supports an inclusive definition of a “renewable electricity connection facility” that includes conductors, inverters, transformers, switchgear, storage, capacitors, cooling equipment and other necessary electrical devices. In addition, the language specifying the eligible investments should remain open to innovations in transmission technologies.

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NEMA ISSUE BRIEF



November, 2008

ISSUE: Statement of Principles on Global Climate Change

IMPORTANCE:

NEMA's member companies recognize the growing concerns regarding the threat of climate change. The greenhouse gas (GHG) emissions that contribute to climate change come from a wide variety of sources and sectors throughout the economy. While the complexities of precisely predicting future global climate impacts currently preclude definitive answers, policy decisions could substantially affect production and consumption decisions for industry and consumers alike.

The electrical manufacturing sector is not among major greenhouse gas-emitting sectors in the economy. Rather, NEMA members are leaders in providing demand management and energy-efficient products and technologies to the market. These technologies, if deployed and utilized, lead to far more efficient use of energy sources, be they fossil fuels or other, and, in turn, reduce the amount of greenhouse gases across all sectors of our economy. NEMA's member companies stand committed to incorporate the energy-efficient products and equipment that our members manufacture, all as part of our industry's efforts to reduce GHGs.

POSITION:

NEMA strongly supports a climate policy that achieves meaningful greenhouse gas reductions at the lowest practicable costs. Any comprehensive policy should incorporate the following to help realize this goal:

- Effective climate change policies must provide a comprehensive approach addressing emissions of all greenhouse gases from all sources and sectors of the global economy.
- An intensified national commitment and consumer education on energy efficiency and deployment of state-of-the-art technologies.
- Industries require reasonable, achievable lead-times to comply with any mandatory reduction obligations to avoid costly, premature retirement of existing capital equipment and potential employee job loss. Suppliers of energy-efficient technologies and services also require reasonable timetables to meet the needs of their customers in a cost-effective manner.
- Market mechanisms are far superior to "command-and-control" approaches that set inflexible targets.
- Granting firms tax credits, accelerated depreciation, utility ratepayer incentives to deploy energy-saving products, and other investment mechanisms that reduce greenhouse gas emissions while permitting firms to apply any credits against any future obligations, represent one flexible yet effective approach to achieve significant reductions.
- Policies must fully recognize the positive contributions from power sources such as nuclear, wind, solar, hydroelectric, and geothermal that emits little or no greenhouse gases.
- Responsibility for reducing greenhouse gas emissions should be borne by developing and industrialized nations through verifiable international agreements.

Approved by NEMA Board of Governors, July 12, 2007

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NEMA ISSUE BRIEF



November 2008

ISSUE: Smart Grid for Climate and Security

Our society has arrived at the intersection of two energy eras. The forces of climate change and increasing fossil fuel prices herald an imminent diversification from a carbon-based economy to a more balanced portfolio. The wind, sun, tides, and atom will propel an increasing share of our factories, homes, and vehicles, yet these new sources are alternately less reliable and less flexible. Our electricity grid is the means by which these new sources will be delivered and will require technology to manage their characteristics.

The challenge is clear: chart a course for an electrical system flexible enough to adapt not only to the whims of mother nature, but also to the uncertainties of finance and politics. To this end, the members of the National Electrical Manufacturers Association are designing, testing, and deploying the nuts and bolts of a modern grid. The 400+ NEMA member companies represent the full spectrum of the transmission and distribution system, from transformers and switchgear to thermostats and advanced meters.

POSITION

The Energy Independence and Security Act of 2007 provides policy levers that will demonstrate new technologies and engage stakeholders, especially those not commonly involved in discussions on grid modernization. Funding for these programs is critical to realizing the benefits of new technologies.

- The National Institute of Standards and Technology is leading the development of their Smart Grid Interoperability Framework. NIST needs resources to fully support the industry.
- The Department of Energy's demonstration projects for energy storage and smart grid will help laboratory research take root in the field.
- The 20% investment credit match for smart grid technologies will help manufacturers and utilities absorb the higher upfront cost of advanced grid devices.

NEMA advocates off-balance-sheet funding for these programs, such as allocations from carbon allowance revenues. Grid modernization enables the integration of domestic low-carbon energy sources, will allow greater adoption of plug-in hybrid electric vehicles and helps consumers make energy efficient decisions. A federal commitment to grid modernization will accelerate policy goals of energy independence and climate change.

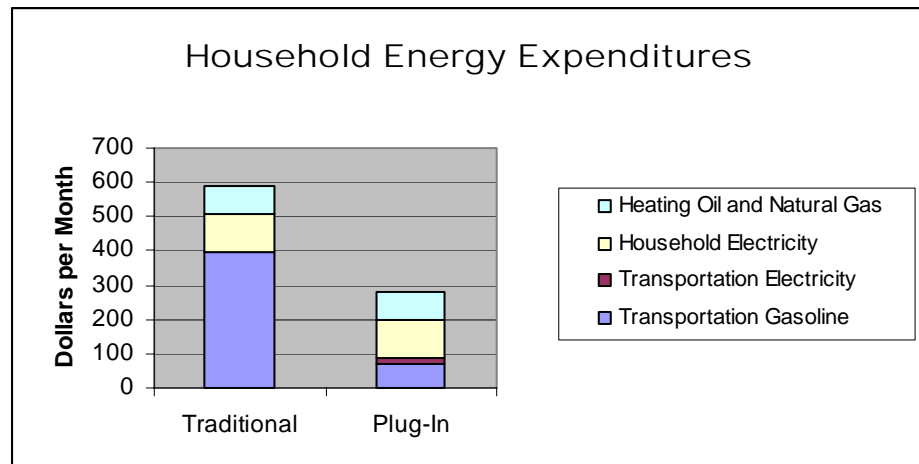
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Infrastructure Needed to Realize Savings from Plug-In Hybrids

According to EIA data and NEMA estimates, the typical American household spends nearly \$600 a month on energy, with the bulk of these expenditures (\$399) going to gasoline for transportation. Adoption of plug-in hybrid electric vehicles (PHEVs) would allow households to substitute cheaper electricity for a significant portion of gasoline use. Plug-in hybrids with an electric range of 40 miles could replace \$259 gasoline with \$40 of electricity, more than halving the total energy bill.



Unfortunately, the nation’s electricity distribution infrastructure was not designed for this additional load. While already under strain from growing cities and aging equipment, the urgency of necessary upgrades is heightened by imminent deployment of PHEVs: In addition to enabling smart PHEV charging, the same upgrades can increase grid reliability and increase utilization of intermittent renewable energy.

Position: Upgrade the Grid

The smart grid and transmission modernization are necessary components of PHEVs and a low-carbon economy and should be put in place today. Any carbon reduction policy should also include mechanisms to finance the large upfront cost of major infrastructure upgrades, such as:

- Transformers that can withstand hours of high-current charging
- Relays and other protective circuits that know can identify upstream and downstream faults
- Charging systems that avoid charging when electricity is expensive
- Chargers that adapt and prevent blackouts instead of causing them

Legislative funding priorities that will help deploy some of these technologies include:

- R&D and demo efforts
- Smart grid technologies that communicate grid status to chargers
- Carbon revenue redirected to an infrastructure fund

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NEMA ISSUE BRIEF



November, 2008

ISSUE: Environmental Design and Restricted Substances

This is a pivotal time in the electro-product industry. Regulations in the European Union have established baseline content thresholds for restricted substances that either apply to electrical products or affect their design indirectly. California and other US states are moving towards enacting their own legislation based on the European model. Regulatory standards are also taking root in other markets (e.g. China) and are becoming the basis of a global network of product design and end-of-life management rules.

IMPORTANCE

It is imperative that NEMA and other industry stakeholders take action to ensure that the regulatory restrictions on product design are sensible, science-based, and harmonized across state borders. Manufacturers, far more than lawmakers, have the technical and market expertise needed to address the complexities of product design issues. They must draw on this expertise proactively to define solutions that meet the intent of regulatory measures without compromising the industry's rigid safety and performance standards. The next few years are critical and it is imperative that manufacturers respond quickly, wisely, and with one voice.

POSITION

In July 2006, NEMA announced a voluntary, industry-wide commitment to limit the use of hazardous materials in electrical products. Termed the NEMA "Call to Action," this initiative will proceed in two phases. Phase 1 reflects the regulatory thresholds contained in the European "RoHS" Directive, which apply to lead, mercury, cadmium, hexavalent chromium, and two flame retardants in designated categories of electrical and electronic products sold in the European Union. NEMA products within the scope of the RoHS Directive will achieve the applicable thresholds in all markets in which the products are sold by July 1, 2010, unless an exemption is necessary to maintain safety and performance standards. To ensure a level playing field, NEMA is seeking to introduce legislation that would codify this industry commitment in Federal law in the U.S.

Phase 2 of the Call to Action seeks to expand the NEMA effort beyond the focus of the RoHS Directive. In this phase, each NEMA product section will evaluate its product scope and seek to define additional substance reduction targets or alternative stewardship measures that accord with the guiding principles of the Call to Action. These measures will be in place by July 1, 2014.

By adopting the "Call to Action," NEMA is responding proactively to regulatory trends and using its expertise to help inform the policy debate. Our members believe that government sanctioned, industry guided regulatory standards are a win for industry, a win for the public, and a win for the environment.

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MITA

MEDICAL IMAGING
& TECHNOLOGY ALLIANCE

A DIVISION OF **RSNA**

MITA Comparative Effectiveness Principles

The members of the Medical Imaging and Technology Alliance (MITA) believe a national comparative effectiveness organization that is grounded in science can prove beneficial to ensuring patient access to appropriate medical technology. MITA acknowledges that the current rate of growth in health care spending is not sustainable. We recognize the need to rein in health care costs while at the same time work to improve health care quality and patient safety. Physicians and other providers should be equipped with information about what procedures work best for specific patient populations in order to ensure appropriate health outcomes and reduce unnecessary spending.

MITA is committed to working with all stakeholders to develop a national comparative effectiveness organization that maintains access to clinically effective procedures, including imaging services.

Key Principles Guiding a Federal Comparative Effectiveness Organization

- **Independent and Broadly Representative** – A national comparative effectiveness organization should be independent – that is, it should be free from political influence, unbiased in its thinking, transparent in its decision making processes, and fully capable of disseminating information to the public. Such an organization should be composed of all major stakeholders, including manufacturers.
- **Comprehensive** – A national comparative effectiveness organization should study and analyze all medical procedures, rather than limiting its research to pharmaceuticals and medical devices.
- **Science-Based Role** – A national comparative effectiveness organization should not play a role in public or private payer health benefit determinations.
- **Priority-Setting Role** – A national comparative effectiveness organization should set its initial research agenda based upon medical conditions that pose a high clinical and economic burden on the nation and its health care system.
- **Advisory and Information Dissemination Role** – A national comparative effectiveness organization should not create advisory “opinions” and statements of policy that could result in barriers to access for any type of procedure, including medical imaging and other cutting-edge technologies. Rather, it should simply provide up-to-date, unbiased information about the best possible treatments and alternatives for individuals and their health care providers. A public notice and comment period with comment review should be instituted before the organization’s findings are finalized.
- **Research Methodology** – A separate methodology should be used for the review of diagnostic procedures versus the metrics used for therapies or treatments. Researchers should be experts in the specific health care field studied, and should focus on the most current procedures and technologies available.

NEMA ISSUE BRIEF



November 2008

ISSUE: Renewal of Trade Promotion Authority

Presidential Trade Promotion Authority (TPA), also known as “fast track” authority, expired on July 1, 2007. Without TPA, which in various forms has been extended by Congress to Presidents since the 1970s, the U.S. government’s ability to negotiate new agreements to open foreign markets for U.S. exports is significantly more difficult.

IMPORTANCE

The U.S. electrical equipment industry runs a total sectoral trade surplus with Free Trade Agreement partner nations. Indeed, free trade is key to the economic growth of our industry. NEMA therefore seeks the reciprocal opening of foreign markets through the elimination of tariff and non-tariff barriers worldwide for electrical equipment. As economies around the world grow, our members want the equipment they make to be used in new and developing infrastructures. With our own domestic market already largely open, free trade agreements serve to level the trading field for U.S. manufacturers.

- U.S. negotiators should pursue all avenues for advancing free trade in electrical goods, be they bilateral, regional or multinational.
- Since the elimination of many countries’ medical equipment tariffs pursuant to the last World Trade Organization negotiating round, U.S. electro-medical equipment exports have soared.
- Since implementation of the U.S. free trade agreements with Chile, Singapore, Australia, and several Latin American nations, among others, electrical equipment exports to these countries have expanded considerably.
- Improving U.S. competitiveness through, for example, tort, tax and health care reform, in addition to support for free trade, are the best ways to sustain U.S. manufacturing.
- Addressing and enhancing the effectiveness of the Trade Adjustment Assistance program should be considered in the context of the TPA debate.
- The most recently negotiated U.S. FTAs contain significant labor and environmental provisions, in accordance with the “May 10 Agreement”.

POSITION

NEMA supports renewal of TPA as soon as possible.

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NEMA ISSUE BRIEF



November 2008

ISSUE: U.S. Free Trade Agreement with Colombia

U.S. trade negotiators have negotiated a free trade agreement (FTA) with Colombia—the world’s second-largest Spanish-speaking nation and a vital, rapidly growing Latin American economy to further expand market access for U.S. exporters in the Western Hemisphere, as well as level the playing field with Colombian exporters who already enjoy duty-free market access here due to U.S. preference programs. Several provisions were added to the FTA text in 2007 to better address labor and intellectual property issues.

IMPORTANCE

NEMA members already run a strong electrical and medical equipment trade surplus with Colombia. The elimination of its remaining tariffs, which currently range from 5 percent to 20 percent, stands to improve our export figures even further. Moreover, Colombia has made tremendous progress in recent years under President Alvaro Uribe and with the assistance of the U.S.’s “Plan Colombia,” and this FTA would help the country to obtain the high-quality infrastructure products it needs to continue moving ahead. The FTA also specifically permits Colombian importation of remanufactured U.S. electrical and medical imaging equipment, which would both conserve resources and bring efficient, high-end equipment into the reach of less-advantaged buyers.

NEMA staff has already visited Colombia several times, and the country is one of the Latin American trading partners that NEMA is seeking to more deeply engage with—on issues such as standardization, certification, anti-counterfeiting, energy efficiency, and environmentally-conscious design—as part of its new joint initiative with the U.S. Commerce Department.

POSITION

NEMA calls for legislators in each country to ratify the Agreements as soon as possible.

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NEMA ISSUE BRIEF



November 2008

ISSUE: U.S. Free Trade Agreement with Panama

U.S. trade negotiators have negotiated a free trade agreement (FTA) with Panama—a crossroads of global trade and a vital, rapidly growing Latin American economy—that would further improve market access for U.S. electrical equipment exporters in the Western Hemisphere. Several provisions were added to the FTA text in 2007 to better address labor and intellectual property matters.

IMPORTANCE

NEMA members already run a strong electrical and medical equipment trade surplus with Panama— with the FTA’s elimination of the latter’s remaining tariffs, which currently range from 3 percent to 15 percent, standing to raise our export figures even more. Moreover, not only will the Agreement will make it easier for U.S. companies to provide equipment for the recently launched Panama Canal expansion project, but it will also make it easier for the country to obtain high-quality infrastructure products as it continues to move ahead. The FTA also specifically permits Panamanian importation of remanufactured U.S. electrical and medical imaging equipment, which would both conserve resources and bring efficient, high-end equipment into the reach of less-advantaged buyers.

NEMA staff has visited Panama several times and, as part of a joint initiative with the U.S. Commerce Department, will conduct an in-depth seminar with counterparts there this November on issues such as standardization, certification, anti-counterfeiting, energy efficiency, and environmentally-conscious design.

POSITION

NEMA calls on Congress to ratify the Agreement as soon as possible.

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NEMA ISSUE BRIEF



November 2008

ISSUE: U.S.-South Korea Free Trade Agreement (“KORUS FTA”)

While negotiators from the U.S. and South Korean governments formally announced the successful conclusion of their bilateral free trade negotiations in 2007, Congress has still not put the Agreement to vote.

IMPORTANCE

The Republic of Korea (i.e. South Korea) is already one of the U.S. electrical equipment industry’s top ten export markets. Despite Korean tariffs typically running in the 5-8% range, in recent years the U.S. has returned to running a two-way electrical equipment trade surplus. In 2007, two-way trade in the electrical sector totaled approximately \$2 billion, with shipments from the U.S. exceeding \$1.1 billion. Indeed, U.S. electroindustry exports to South Korea have risen each year since 2002 – with export growth since 2002 totaling 69 percent – jumping over 26 percent in 2006 and over 5 percent in 2007.

Further, visiting Korean government officials have informed us that they are developing new energy efficiency standards that most of their own country’s manufacturers cannot meet, providing further opportunities for the NEMA members.

Yet even as the KORUS FTA promises better and preferential market access for U.S. exporters, Seoul has begun FTA negotiations with the European Union and has also been talking to Japan about liberalizing commercial flows.

POSITION

NEMA calls on legislators to ratify the Agreement as soon as possible. While the U.S. electrical equipment industry still has concerns relating to non-tariff barriers and intellectual property protection in South Korea, the overall FTA package would improve conditions for selling there by featuring the elimination – most of it immediate – of remaining tariffs on goods in NEMA’s product scope. Not only would this open the door for increased NEMA member exports, it would also provide the South Koreans with even better access to top quality electrical equipment as they strive to take their country’s economic miracle to the next level.

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NEMA ISSUE BRIEF



November 2008

ISSUE: Counterfeit Electrical Equipment

Counterfeit electrical equipment is a growing problem. It is often substandard and unsafe, posing a serious threat to public safety.

IMPORTANCE

For consumers and commercial buyers: The risk of deception is high and the quality of counterfeits is often very low. The risks can be high because the short-cuts that counterfeiters take to cut costs and compromise safety are usually not visible. Consumers and commercial buyers of electrical equipment do not want to buy substandard and unsafe products. For manufacturers: Genuine manufacturers and rights-holders make substantial investments in the quality of their products and brand names, including meeting or exceeding the product and safety standards of independent parties. Counterfeiters do not make this same level of investment, which can serve to injure the reputations of both genuine manufacturers and the entire industry. Counterfeit electrical equipment also hurts domestic production and sales, as well as domestic engineering investment. For the government and the public in general: In addition to the safety concerns, counterfeit electrical products may be distributed in a manner that evades federal and local taxation, reducing the revenues of public treasuries.

POSITION

- NEMA was one of the leading supporters of the recently enacted 2008 Intellectual Property Rights Enforcement Act, which strengthens U.S. enforcement and internal coordination. It should be promptly implemented, with a White House Intellectual Property Enforcement Coordinator named to run the new IP interagency advisory committee.
- Public policy must be one of zero tolerance towards those who manufacture and traffic in these products.
- Sufficient resources must be allocated and deployed to protect our domestic borders, as well as to work with our trading partners to ensure that their borders are similarly protected.
- Companies must communicate up and down their supply chains about the need to detect and prevent the circulation of counterfeit equipment. Laws and their enforcement must embrace a policy of deterrence.
- Governmental policy and enforcement, domestically and internationally, must be well coordinated and forceful.
- China, the source of most counterfeit electrical equipment, needs to accelerate and strengthen its anti-counterfeiting measures and enforcement, particularly at the regional, municipal, and point-of-export stages.
- The Association is working with counterparts in the electrical supply chain to stress the legal and business risks of trading, even unwittingly, in counterfeit electrical products. It is also engaged with associations in Mexico, Canada, China and elsewhere to share information on best practices, as well as conduct seminars and training.
- NEMA and its members are engaged with U.S. Customs to improve detection of counterfeit products at ports.
- Our "Counterfeits Can Kill" DVD is available at <http://www.nema.org/anti-counterfeiting>

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NEMA ISSUE BRIEF



November, 2008

ISSUE: Consumer Product Safety

In the wake of several high-profile recalls of consumer products, especially children's toys, consumer product safety has become a top priority for the American public. The U.S. Consumer Product Safety Commission (CPSC), the lead federal agency charged with protecting consumers from risks of serious injury, was criticized by consumer rights' interest groups and activists for failing to fulfill its mission. Of chief concern was the lack of budgetary resources and CPSC personnel to enforce product safety laws and ensure that toys and other products purchased by consumers are safe for use and enjoyment.

In an effort to calm Americans' fears, Congress reauthorized the CPSC and strengthened its enforcement authority. On August 14, 2008, President George W. Bush signed into law the Consumer Product Safety Improvement Act (CPSIA; Public Law 110-314), legislation to bolster the resources of the CPSC and protect consumers from unsafe products.

HIGHLIGHTS OF CPSIA:

The Consumer Product Safety Improvement Act (CPSIA) authorizes additional funding and staff resources for the CPSC and restores the CPSC to a five-member Commission (currently three). The new law contains several provisions which will require manufacturers to be more diligent in testing and certifying products and reporting concerns to the CPSC.

Specifically, the CPSIA:

- Encourages state attorneys general to pursue civil actions against manufacturers, creating a situation whereby manufacturers could encounter inconsistent requirements and enforcement actions from state to state;
- Mandates the CPSC to establish a publicly searchable database of reports of injuries, illnesses, deaths or risks related to consumer products, giving manufacturers limited ability to comment on such reports and allowing the CPSC to remove reports only if it finds they are factually inaccurate ;
- Provides whistleblower protections for employees who report alleged product violations to the CPSC, even if the information is erroneous, unsubstantiated, or preliminary;
- Requires product certification for any product subject to CPSC bans, standards, rules, and regulations under any Act enforced by the Commission; and
- Prohibits manufacturers from referencing consumer product safety rules or voluntary consumer product safety standards in advertising, labeling, and packaging unless the product conforms to the applicable safety requirements of such rules or standards.

POSITION:

NEMA members are proud of the industry's impeccable safety record and have always made consumer safety a top priority. NEMA supports enhanced resources for the CPSC to fulfill its mission of enhancing consumer safety. Although certain provisions enacted in the Consumer Product Safety Improvement Act (CPSIA) could pose implementation challenges, NEMA will continue to engage the CPSC and Congress during the implementation of CPSIA to ensure that electrical manufacturers remain able to work cooperatively with a stronger CPSC to advance safety and protect consumers.

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ISSUE: Third-Party Certification of Electrical Equipment

The European Union and other industry groups have been pushing the U.S. Government to end its requirement that most electrical equipment used in the workplace in this country be subject to safety certification by OSHA-accredited testing laboratories. While U.S. officials have not indicated any willingness to end this “third-party certification” approach, the Occupational Safety and Health Administration (OSHA) did agree to issue a Federal Register notice on October 20 requesting public comment on the merits of “supplier’s-declaration-of-conformity” (SDOC).

IMPORTANCE

The U.S. electrical safety system, which is principally based on third-party certification before products can go on the market, has been successfully ensuring public safety in this country for more than a hundred years. OSHA’s Nationally-Recognized Testing Laboratory (NRTL) Program oversees the system at minimal cost to the taxpayer. Both U.S. and foreign testing laboratories have qualified for NRTL accreditation; they can conduct their testing either domestically or overseas. The European Union, in contrast, principally relies on SDOC and governmental post-market surveillance after electrical equipment has appeared on the market – with attendant higher accident rates. (U.S. laboratories may not directly test for the European market.)

Nevertheless, in the context of Transatlantic Economic Council (TEC) discussions on removing hindrances to trade, Brussels has cited U.S. third-party requirements as its #1 target (reflecting its long-standing opposition to the NRTL program in particular). While U.S. officials have challenged this view, they did agree to issue the new Federal Register notice (following on an earlier one issued in 2006) – perhaps in return for advances on other TEC matters. Especially at a time of financial, toy, food, etc concerns that may stem from a lack of adequate oversight, NEMA and many counterpart groups believe that even considering the introduction of SDOC is inappropriate, and would view any ensuing moves into the rule-making phase as very troubling.

POSITION

The U.S. electrical equipment industry sees no reason to change this country’s approach to electrical safety. While SDOC is appropriate for some electrical equipment in some situations, NEMA has significant concerns about the public safety implications of moving away from third-party for electrical equipment in general. Further, at a time when the safety and competitive threats posed by counterfeit products are markedly rising, opening the door to uncertified imports is hardly wise policy.

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NEMA ISSUE BRIEF



November 2008

ISSUE: Digital Imaging and Communication for Security (DICOS)

As part of ongoing U.S. efforts to secure ports and mass transportation systems against threats including explosives, and in cooperation with federal agencies, NEMA is developing the Digital Imaging and Communication for Security (DICOS) Standard. DICOS addresses the exchange of digital information between security-imaging equipment and other systems.

IMPORTANCE

Our nation's airports, ports and mass transit systems serve millions of people per day and are a critical element of our infrastructure as well as our open economy and society. Securing these assets from terrorist threats falls to the Department of Homeland Security (DHS), its Transportation Security Administration (TSA) and other DHS agencies.

With regard to airports, DHS and TSA are working with the private sector at present to improve existing explosive detection methods, develop new technologies and integrate technical improvements and developments in both deployed and new systems. Detection is a key defense against attacks. Carry-on baggage, checked baggage and cargo all present screening challenges. Advanced technology is in development to integrate existing and future approaches to detect and mitigate explosives and other threats while meeting requirements for automation, efficiency and cost reduction – all while keeping passengers, baggage, cargo, and aircraft moving with minimal delays. NEMA, at the forefront of this effort, has launched a new group within the Association to support ongoing work in the security imaging area.

Building on NEMA's leadership on the development of the Digital Imaging and Communications (DICOM) Standard for medical scanning, NEMA's new DICOS standard facilitates interoperability of security-imaging equipment by specifying:

- a set of protocols for scanning devices as well as the syntax and semantics of commands and associated information that can be exchanged using these protocols.
- a set of media-storage services, as well as a file format and directory structure to facilitate access to images and related information stored on interchange media, to permit matching baggage to passenger, with historical and travel information, for example.

POSITION

NEMA supports Administration and Congressional initiatives to improve transportation security through integration and interoperability of layered, non-invasive scanning and imaging technologies.

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NEMA ISSUE BRIEF



November 2008

ISSUE: Regulation of Chemicals and Chemical-Users

Since June 2008, a new regulatory regime known as “REACH” (Registration, Evaluation, and Authorization of Chemicals) has been in effect in the 27-member European Union (EU). The REACH approach, based on the precautionary principle, places a large burden on representatives of end-product manufacturers and downstream users of chemicals as well as chemical manufacturers.

IMPORTANCE

In the U.S., the current regulatory system for chemical substances, under the Toxic Substances Control Act (TSCA), works well, is effective, and provides the U.S. Environmental Protection Agency with broad authority to require manufacturers to track chemical health effects information and provide risk analysis and chemical testing data when necessary. There is no need for a dramatic overhaul to incorporate the REACH approach into federal or state regimes.

NEMA appreciates the public policy objectives underlying REACH, which seeks to close perceived safety data gaps in the EU for both existing and new chemicals. However, REACH is not an effective model due to its enormous financial costs, harmful effects on innovation, imposition of serious barriers to trade, and distortion of global competition.

The REACH approach is fundamentally counter to U.S. environmental law and regulatory practice, which takes a risk-based approach and facilitates both innovation and responsibility. EPA’s High Production Volume Challenge Program involves chemical manufacturers and importers of high volume substances (greater than or equal 1 million pounds per year) in U.S. commerce to conduct testing and develop hazard data so that the public can use it to make informed decisions. In addition, EPA’s Toxic Release Inventory (TRI) Program allows public access to data on toxic substances that are released into the environment. Under the new Chemical Assessment and Management Program (ChAMP), EPA is cooperating with Canada and Mexico to share scientific information and approaches to chemical testing and risk management to ensure the safe manufacture and use of industrial chemicals and to prioritize chemicals for possible future regulatory actions.

REACH reverses the burden of proof for chemical safety and extends requirements beyond the chemical manufacturers to downstream users and equipment manufacturers. The REACH approach will add significant costs to industry without commensurate environmental health and safety benefits.

POSITION

NEMA supports chemical regulation under the TSCA framework and opposes REACH-style regulation of chemical substances.

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NEMA ISSUE BRIEF



June 2008

ISSUE: Last-In, First-Out (LIFO) Inventory Method

LIFO is an inventory accounting method used by companies to determine both book income and tax liability. In tax code use since 1939, LIFO is considered a more accurate accounting method when inventory costs are rising because it takes into account the greater costs of replacing inventory. In 2006, Senate leaders considered repealing LIFO as a revenue offset for a gas tax rebates proposal. While that was rejected, LIFO repeal has been proposed as a revenue offset for other tax proposals. Currently, LIFO repeal is a provision in H.R. 3970, The Tax Reduction and Reform Act of 2007, which was just introduced to the House committee on Ways and Means on October 25, 2007. This provision of the Act would dramatically impact organizations and their industries.

IMPORTANCE

LIFO is used by manufacturers, distributors, wholesalers, and retailers of all sizes. It is used particularly by small businesses because of thin capitalization and those sensitive to rising supply and material costs. Under LIFO, as opposed to FIFO (First-In, First-Out), businesses with increasing inventory costs would have a lower tax liability in a given year; however, if prices fall, the taxpayer would have to repay the LIFO benefit through greater tax liability in the following year. Repeal of LIFO would be a burdensome, unnecessary change in fundamental accounting for such businesses and would result in a massive tax increase on those businesses.

POSITION

NEMA supports retaining both LIFO and FIFO inventory accounting methods. The two methods provide an option for companies based on their particular needs and type of business. Once selected, companies may not change between LIFO and FIFO without approval of the Internal Revenue Service. Thus, once they elect to use LIFO, companies assume the risk of increased tax liability if inventory costs should fall. Congress should reject any effort to repeal LIFO.

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Listed below are the industries and products covered in NEMA's scope.

Industrial Automation

- Arc Welding
- Carbon/Manufactured Graphite
- Industrial Automation Control Products & Systems
- Motor & Generator
- Power Electronics

Lighting Systems

- Ballast
- Emergency Lighting
- Lamp
- Lighting Controls
- Luminaire
- Solid State Lighting

Electronics

- Dry Battery
- Health Care Communications & Emergency Call Systems Group
- Mercury Switch
- Residential & Commercial Controls
- Signaling Protection & Communication
- Transportation Management Sys & Associated Control Devices

Building Equipment

- Cable Tray
- Conduit Fittings
- Enclosures
- Fuse
- Ground Fault Personnel Protection
- Health Care Facility Equipment
- Low Voltage Distribution Equipment
- Low Voltage Surge Protective Devices
- Outlet and Switch Box
- Pin & Sleeve Plug, Receptacle & Connector
- Polymer Raceway Products
- Steel Conduit and Electrical Metallic Tubing
- Wiring Device

Security Imaging and Communications

- Industrial Imaging and Communications

Insulating Materials

- Decorative Laminate
- Insulating Materials
- Magnet Wire

Wire and Cable

- Building Wire & Cable
- Flexible Cords
- High Performance Wire & Cable
- Modular Wire
- Power & Control Cable

Power Equipment

- Capacitor
- Distributed Power
- Electrical Connector
- Electrical Measuring Equipment
- High Voltage Insulator
- Smart Grid & Distributed Generation
- Surge Arresters
- Switchgear
- Transformer Products

Medical Imaging & Technology Alliance (MITA)

- Magnetic Resonance
- Medical Imaging Informatics
- Nuclear
- Radiation Therapy
- Ultrasound Imaging
- X-Ray Imaging Products