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## WMMA Serves as a Catalyst for the NAM White Paper Position on the Future of U.S. Manufacturing

**Washington D.C.-** During a press conference held on June 10th, 2003, the National Association of Manufacturers (NAM) unveiled a critical new study entitled, "Securing America's Future: The Case for a Strong Manufacturing Base," an investigation which WMMA initiated. After hearing the collective voice of its membership questioning, "What is the future of manufacturing in the United States?" WMMA Executive Vice President Ken Hutton posed the question to NAM. The NAM Council of Manufacturing Associations then commissioned this study, which clearly demonstrates the essential role that manufacturing has played – and continues to play – in improving the American standard of living.

The results of the study have been poured into the White Paper, which is now making its way throughout all federal, state, and local governments, and to each member's very own hometown. All manufacturers, especially WMMA members, are called upon to read the White Paper, spread the word, and help to enact change through the steps outlined below.

To quote directly from the executive summary, "Manufacturing is the engine that drives the U.S. economy. It is the heart of a process that has long generated prosperity for Americans: the innovation process. This intricate, intensely interactive process presently faces serious challenges which, if not overcome, will almost assuredly lead to a decline in the American standard of living."

Because this study can help foster new public policies that recognize the importance of manufacturing and contribute to the revitalization of U.S. industry, WMMA believes that every manufacturer – including every wood machinery, cutting tool and supply manufacturer – needs to: (1) familiarize itself with the report's contents; and (2) add its voice to the call for the development of policies to address the myriad problems facing American manufacturing. For that reason, we have added the NAM study in its entirety to the WMMA website as a downloadable file. To access the file, simply click on the link on the WMMA homepage at [www.wmma.org](http://www.wmma.org).

Once you are familiar with the study you can take any number of other actions, including:

\* **Send a copy of the Executive Summary**, together with the information as to how to access the complete report, to your local media. Be sure to emphasize the important role that manufacturing plays in your state and/or city. If possible, cite specific examples from your own company, such as your number of employees, the total cost of wages and benefits to your company in your last business year.

\* **Write your local, state and national elected representatives** and urge them to stand up and be counted among the growing list of legislators who are willing to do something positive to help strengthen the U.S. manufacturing base. Invite them to visit your facility to see firsthand precisely what a manufacturing company like yours does.

\* **Hold a meeting with your employees** and share the information in the report with them. Tell them in direct terms how very important they are both to your company and to the American economy. Show them how the compensation that they and millions of other manufacturing employees earn compares to jobs in the service sector. Encourage them to get involved in the letter writing campaign to build support for pro-manufacturing policies.

WMMA views this new study on manufacturing as a start rather than an end-point in the discussion of what can and should be done. To help our members participate in this important effort, we will be distributing sample letters to editors and policymakers that U.S. woodworking machinery manufacturers can use. ■

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## Lower Taxes = More Investment = More Jobs

*By Art Raymond, A.G. Raymond & Company, Inc.*

It's simple. Lowering taxes on investment returns will generate more investment. More investment creates jobs. So the \$350 billion Bush tax cut, signed into law on May 28, is welcome news to those seeking gainful employment and for machinery builders eager to sell their wares. The new law gives investors and businesses better returns through cuts in the tax rates on capital gains and dividends. The capital gains rate falls from 20% to 15%. The tax on dividends drops from a top rate of 38.6% to 15%.

How does cutting the capital gains tax create jobs? The wider the gap between the tax rates on ordinary income and capital gains, the higher the after-tax returns on capital investment. Better returns offset risk and thus provide businesses and investors an incentive to bet their capital.

The new tax code also allows faster write-offs for investments in new equipment. Those elements will help spur capital spending, too.

Think about many of the leading companies in the U.S. like Microsoft, Cisco, Dell, and Intel. Started in the 80's with investor capital, these firms hired lots of people to build risky new products that no one had ever heard of. Today the U.S. needs a similar wave of investment in leading edge, whiz-bang technology to replace the loss of traditional labor-intensive industries like apparel and furniture. With the right ideas and enough cash, someone might even re-invent one of those low-tech businesses.

Capital investment represents only 11% of GDP but has been a critical variable in our economy in recent years. Too much investment overheated the economy in the late 90's. The capital spending pullback that followed in 2000-01 put the economy into recession. So it's key to get businesses and investors spending cash to replace aging equipment, install new information technology, and grow ideas into job generators.

Make no mistake about it, the U.S. economy is in need of a boost. We are living through a once-in-a-lifetime blowout caused by the aforementioned investment bubble, the effects of the 9/11 terrorist attacks, and the uncertainty of the war in Iraq. The economy needs all the stimulus it can get. The lowest interest rates in over 40 years have proven ineffective as an economic booster. That leaves fiscal policy – higher government spending or lower taxes – to kick start growth.

Alexander Hamilton, our first Secretary of the Treasury, said that government debt is useful during a war or in a weak economy. Both conditions are present today.

Are we taking on too much debt? No. The federal deficit is now only 1.5% of GDP compared with 4.1% at the end of the recession in the early 70's, 6% in the early 80's, and 4.5% in the early 90's. From today's starting point, reaching the debt level of 1993 would require running deficits of \$500 billion a year for ten years!

The \$350 billion tax cut is only 1.2% of the \$30 trillion the government plans to spend over the next ten years and less than 0.5% of expected GDP.

History taught us a critical economic lesson in the 1930's. Then President Herbert Hoover said, "Nothing is more necessary at this time than balancing the budget." Getting the economy growing again after his misguided policies and the ensuing Great Depression took ten hard years and World War II. The new tax law shows that Congress has learned that lesson.

Bottom Line: Get ready. The stage is set for a strong economic recovery. It's up to you to develop and introduce machinery that improves labor productivity, speeds your customers' throughput times, and saves materials.

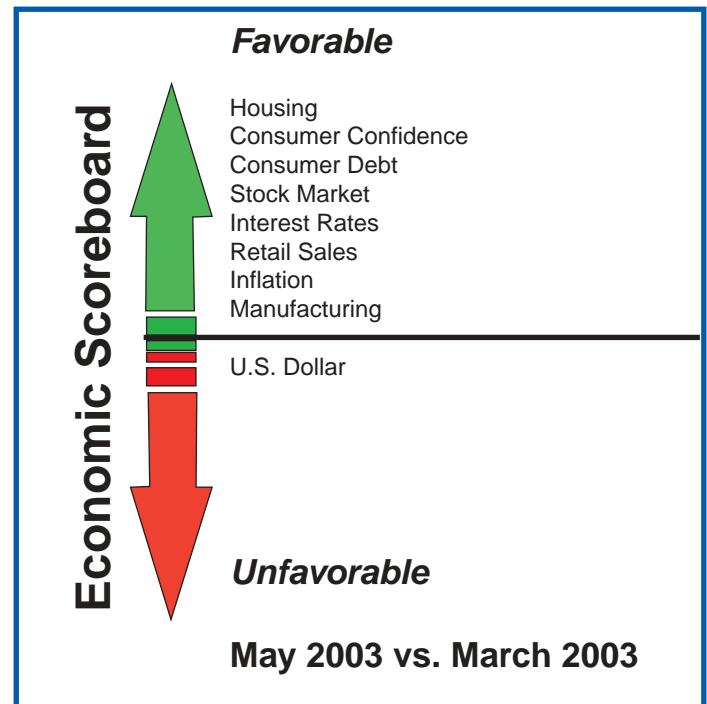
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## Sector Situation Report

Latest news from the wood products industry by sector...

- **Office Furniture** – BIFMA's latest office furniture industry forecast predicts an 8% decline in shipments to \$8.2 billion for 2003. 1Q2003 shipments dropped 12% vs. the same quarter last year. The forecast envisions two more quarters of negative growth before shipments level out in 4Q2003. A "fairly significant industry rebound" is expected in 2004. If so, the industry will experience its first year of growth since 2000.
- **Kitchen Cabinets** – Cabinet sales rose 8% in April vs. the same month in 2002 according to the KCMA's Trend of Business Survey. For the first four months of 2003 cabinet sales were up 9.4%.
  - **Masco**, the largest U.S. cabinetmaker, reported sales growth of 6.5% for their 1Q2003 and an operating margin of 10.2%.
- **Home Furniture** – Industry wide in the first three months of 2003, furniture orders fell by 10%, and shipments by 5%. Reflecting that condition, attendance at April's International Home Furnishings Market in High Point, NC, was off by 15-20%.



Producers and retailers reported mixed results including a number of plant closures and layoffs...

- Canadian producer **Canadel** announced the construction of a 50,000 ft<sup>2</sup> warehouse for component storage, a move that will enable faster delivery of its oak casual dining line. This addition comes on the heels of earlier expansions - a 35,000 ft<sup>2</sup> finished goods warehouse and a 115,000 ft<sup>2</sup> chair assembly and finishing plant. Their strategy of offering a high level of consumer choice combined with fast delivery is obviously paying off. Name another North American furniture maker that is expanding rather than shrinking.
- Fellow Canadian **Palliser Furniture**, that country's largest furniture maker, announced the lay-off of 160 workers at its Winnipeg plants. This reduction was the first job cut in company history. Management attributed the move to the combination of lower U.S. demand and more intense import competition. Are the Canadians seeing their second-place ranking as a source of U.S. furniture imports disappear under the Chinese tidal wave and the weaker U.S. dollar?
- **Furniture Brands**, the largest furniture producer in the U.S., reported lower orders for all of its divisions – high-end producers Thomasville, Henredon, Drexel-Heritage, and Maitland-Smith plus Broyhill and Lane, its mid-priced lines. Broyhill announced the closure of its Rutherfordton, NC, plant. This 570,000 square foot plant employed 506 workers. Over the past 2-1/2 years Furniture Brands has shuttered 17 domestic plants.
- Second-ranked producer **La-Z-Boy** said its FY2002 total sales were down 2% from the previous. In spite of a 14% decline in casegoods sales, the operating margin of its wood companies rose to 6.1%. Management announced that more consolidation ie, plant closings, may be required in the near future.
- Total revenues at **Ethan Allen**, the integrated producer/retailer, fell by 1.5% in 3Q2003.

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# Business Briefing

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- Producer **Stanley Furniture** announced a 2.9% increase in sales for its 1Q2003. Higher costs in its import operation contributed to a 10% decline in operating profit.
- **Chromcraft Revington** reported that sales decreased by nearly 19% in 1Q2003. Management attributed the decline to the weak consumer economy and higher import competition. As a result the company is increasing the use of low-cost, imported components from the Pacific Rim.
- RTA manufacturer **Bush Industries** reported 1Q2003 sales down 15% and an operating loss of \$13.1 million. As part of its cost reduction initiative, their St. Paul, VA, plant was closed.
- **Pulaski Furniture**, citing lower demand for its floor clocks, has cut 70 jobs at its Ridgeway, VA, plant.
- Citing the flood of lower-priced casegoods from Asia, **Hooker Furniture** announced the closure of its Kernersville, NC, plant. The oldest and smallest of the company's five domestic facilities employed 270 people, about 12% of Hooker's work force.
- **Lexington Home Brands** has eliminated 160 positions at its Plant 1 casegoods operation in North Carolina. As more manufacturing has been relocated overseas, the company has laid off over 3,600 workers.



## And at retail...

- Reversing its earlier 2003 performance, specialist retailer **Pier 1** reported its total April sales up 5% over a year ago. Management attributed this increase to the conclusion of the war in Iraq and higher traffic at its 1,000 stores. Much of its furniture product is imported.
  - Retailer **Havertys** reported that total April sales decreased by 1.9% while comparable store sales fell by 4.9%. Management is continuing its program of sourcing imported product in order to lower its selling prices.
  - One positive note for U.S. producers is the rising cost of containers carrying imported furniture from the Far East. Shippers are tacking \$700 onto 40-foot containers bound for the U.S. west coast and \$900 for destinations on the east coast. These increases raise transport costs by about 1/3.
- \* **Wood Flooring** – April shipments of strip flooring fell 4% from the same month in 2002. In the first four months of 2003, shipments were up 2% over last year. ■

## Jobs and Growth Tax Relief Reconciliation Act of 2003

*By John Satagaj, WMMA Legislative Counsel*

Congress and the President have delivered WMMA some good news. The new tax relief law, the Jobs and Growth Tax Relief Reconciliation Act of 2003, includes several provisions that will provide incentives for investment in new woodworking machinery and provides these incentives for your customers to buy now.

As you know, Section 179 of the tax code allows businesses to write off, for tax purposes, the purchase of items such as woodworking machinery, in the year of purchase. Currently, the business is only able to "direct expense" the first \$25,000 of the purchases and must depreciate the balance over several years. While the provision is commonly referred to as a small business direct expensing provision, it is not limited to businesses of a certain size. However, in addition to the \$25,000 limit, there is a second condition that makes it less attractive to businesses of any size. If the aggregate amount for all capital equipment purchased by the business in that year exceeds \$200,000, the \$25,000 is reduced proportionately. Generally, any depreciable tangible personal property (e.g., machinery) used in an active trade or business is eligible for direct expensing treatment.

The new law makes three important changes in Section 179. The direct expensing amount is increased to \$100,000. The aggregate personal property purchase base at which point the direct expensing begins to be reduced has been increased to \$400,000. The third change is that the increases are only in effect for the years 2003, 2004 and 2005. At that point, the amounts revert back to their lower limits, therefore there is a significant incentive to acquire such machinery and equipment sooner than later.

A second provision of the new law will be attractive to your customers making significant purchases of equipment. Under basic tax law, a taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. The amount of the depreciation deduction allowed with respect to tangible property for a taxable year varies by recovery periods and depreciation methods. The recovery periods applicable to most tangible personal property (i.e., machinery as opposed to real property) range from 3 to 25 years. The depreciation methods generally applicable to tangible personal property are the 200-percent and 150-percent declining balance methods, switching to the straight-line method for the taxable year in which the depreciation deduction would be maximized.

Thanks in part to WMMA members' hard work, the Job Creation and Worker Assistance Act of 2002 ("JCWAA") allowed an additional first-year depreciation deduction equal to 30 percent of the "cost" of qualified property. Now, the new law expands the "bonus" to 50 percent for qualified property purchased after May 5, 2003 and before January 1, 2005. Both Section 179 and the depreciation bonus can be used for the same purchases.

Congratulations are in order for the WMMA members who waded into the debate this time. The bonus deduction increase moved from a long shot change to part of the final package since WMMA members met in St. Petersburg and challenged the association to overcome the odds and secure enactment!

In addition to investment incentives, the new law provides reductions in personal marginal tax rates that will

be of particular interest to businesses structured as sole proprietorships, partnerships and S Corporations.

Since many businesses are organized as S Corporations, sole proprietorships or partnerships, many business owners may benefit from the cuts in the rates for individuals. In the case of S Corporations, the income of an S Corporation is passed through to the shareholders to be taxed as the individual's income. The bill accelerates the reductions in the regular income tax rates that are scheduled for 2004 and 2006 as a result of 2001 tax cut legislation. Thus, for 2003 and thereafter, the regular income tax rates in excess of 15 percent would be reduced from 28 percent to 25 percent; 31 percent to 28 percent; 36 percent to 33 percent and 39.6 percent to 35 percent. The provision is effective for taxable years beginning after December 31, 2002.

Finally, there are some temporary cuts in capital gains and dividends tax rates that some businesses may be able to use to their advantage. For individuals, the new law reduces the 10- and 20-percent rates on capital gains to five (zero, in 2008) and 15 percent, respectively. These lower rates apply to both the regular tax and the alternative minimum tax. The lower rates apply to assets held more than one year. The provision applies to sales and exchanges (and payments received) on or after May 6, 2003, and before January 1, 2009. This may generate additional interest in the sale of long-held businesses with significant appreciation in the value of the business.

Under the new law, dividends received by an individual shareholder from domestic and qualified foreign corporations generally are taxed at the same rates that apply to capital gains. This treatment applies for purposes of both the regular tax and

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## Foreign Buyer Program Update

By Harold Zassenhaus, WMMA Export Director

In partnership with the AWFS®, WMMA will be inviting up to 20 foreign representatives and end users of woodworking equipment and/or furnishings to visit the AWFS® Fair as our guests. Two foreign representatives have accepted our invitation. To learn more about each award recipient (including contact information, lines represented, number of employees, capabilities and interests in attending the AWFS® Fair) go to <http://www.wmma.org/members/mpdf/FBP2003Recipients.zip>. In the coming weeks, we will be inviting additional end users and foreign dealers. Information on each recipient will be added to the above page as invitations are accepted.

AWFS® Fair activities in support of the program: The International Visitors Center, located near the registration area, will be their "home away from home," where you can meet in private or ask the center for assistance to arrange a meeting. On Wednesday, July 30th, following a brief orientation, recipients will be invited to join the WMMA press tour to see what's new from members. Following the tour, recipients will be escorted to their appointments with members. This is an ideal time to introduce yourselves and your product line. On Saturday August 2nd from 6:00 – 7:30 pm, WMMA and AWFS® will hold a reception to honor award recipients, present a suitable memento of the occasion, recognize the sponsoring WMMA/AWFS® members

and present the recipient with his/her \$1,500 award.

On Friday August 1<sup>st</sup>, each recipient and a guest are invited on the AWFS® Sunset Cruise. Again, an ideal time to meet the foreign buyers.

This program is a way for members to meet with foreign representatives and end users who have been active in their regions, well respected by WMMA/AWFS® colleagues, and interested in U.S. equipment. It is an easy and effective way for members to gain a foothold in foreign markets. So, go to <http://www.wmma.org/members/mpdf/FBP2003Recipients.zip> and begin making contact with our invited guests!

If you have questions contact Harold Zassenhaus, Export Director, WMMA at tel: 301 652 0693; fax 301 986 1389 or Email: [zemg@erols.com](mailto:zemg@erols.com). ■



## U.S. Import and Export Trade Statistics

The following is a summary of major trends of U.S. imports and exports for the first quarter 2003. Statistics are reported for all woodworking equipment and its three component parts: machines, cutting tools and, accessories and parts.

*(WMMA members: to view detailed tables on U.S. imports and exports of machinery, cutting tools and parts and accessories, click here [http://www.wmma.org/members/mpdf/1stQ2003\\_Imp\\_Exp.zip](http://www.wmma.org/members/mpdf/1stQ2003_Imp_Exp.zip). You will need your user name and password. If you don't have one or forgot it, contact WMMA Headquarters at 215-564-3484 or email [wmma@fernley.com](mailto:wmma@fernley.com)).*

Harold Zassenhaus is available to provide U.S. export and import data on specific product categories. For more information, contact him at (301) 652 0693; fax (301) 986 1389 or e-mail: [zemg@erols.com](mailto:zemg@erols.com)).

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# Export News

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## Imports

Total imports rose to \$292 million, a whopping increase of 28% over the previous year. Imports from both Europe and Asia reflected significant shipment increases. For the quarter, shipments from China grew by \$24 million or 83%; imports from Germany were up 62%, Italy 29% and France were up 197%.

*The following chart highlights the value and percentage changes in imports from the industry's major trading regions of the world.*

U.S. Imports Woodworking Equipment January–March			
	\$ Millions 2003	% Share 2003	% Change 03/02
World	66.4	100.0	12.2
Canada	31.9	48.0	19.0
Western Europe	10.3	15.5	-12.2
East Asia 9	6.8	10.2	44.6
South/Central America	5.2	7.8	1.2
Mexico	3.6	5.4	-43.1
Eastern Europe	0.8	1.3	15.5

## Exports

Exports of woodworking equipment (machines, cutting tools plus parts and accessories) grew by over 12%. Sales to most of Europe, however, remained very soft, with exports to Germany, Italy, France and Belgium decreasing. Bright spots included Canada (up 19%, a continuation of the 2002 trend), Hong Kong/China (up over 100%), Australia (up 88%) and Chile (up 126%).

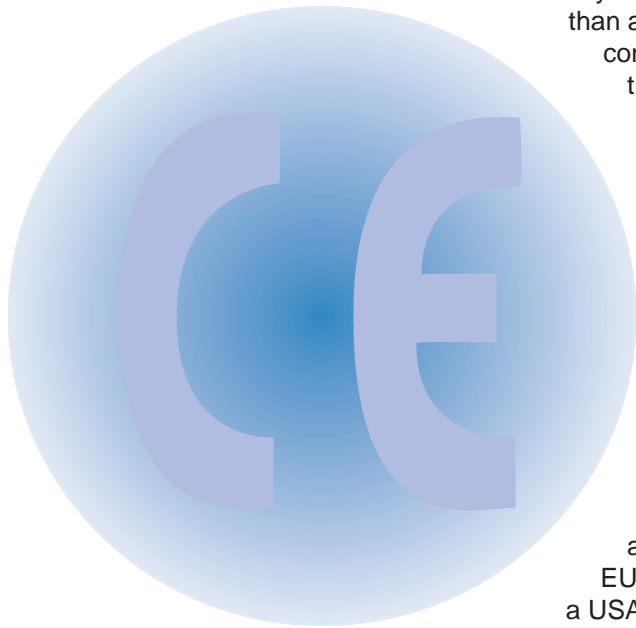
*The following chart highlights the value and percentage changes in exports to the industry's major trading regions of the world.*

U.S. Exports Woodworking Equipment January–March			
	\$ Millions 2003	% Share 2003	% Change 03/02
World	291.9	100.0	28.1
East Asia 9	131.7	45.1	36.9
Western Europe	105.1	36.0	28.2
Canada	18.4	6.3	1.4
Eastern Europe	1.4	0.5	-33.7
South/Central America	1.1	0.4	2.3
Mexico	0.2	0.1	-85.5

# Product & Engineering Standards

## Is The CE Mark a Trade Barrier?

*By Jim Laster, Newman\*Whitney, Division of Newman Machine Company, Inc., Chair, WMMA Product & Engineering Standards Committee*



Have you ever heard someone comment, “CE Certification is nothing more than a sophisticated trade barrier?” Perhaps you have made the comment yourself, or at least you have thought it to be true. In light of this popular belief, you are left with two choices: you can refuse to be party to such unfair trade practices and not export your products to the EU or you can bite the proverbial bullet and CE Certify your machines.

I would like to suggest an alternative view that the CE Certification process is not intended to be primarily a trade barrier for export into the European Union, although it does serve that purpose. ‘CE’ is intended to insure a minimum level of Safety, Quality, and Standardization among products being sold in the EU.

You must remember that prior to the formation of the EU, the Germans were building to German standards, and the Italians to Italian standards, and the English to English standards, and so on and so on for all of the countries in Europe. The formation of the EU forced the issue of common standards for trade within the EU. As a USA manufacturer of machinery, you are required to certify your machinery to the same standard as any company in Europe. The requirement for your company is no different than the requirement for any

company in Germany, Italy or France. The requirement is different from our way of doing things in the USA and therefore, to many, it is suspect.

But let me quickly add here that there are some distinct advantages with the CE process that we in the USA are without. Implicit with the CE process is the assumption that if you followed the process to CE Certify your machinery, you have done all that was possible to reduce or even eliminate the potential injury. And it is this assumption that should carry great weight in the event of an injury.

The process of mandatory certification carries with it the assumption that the EU has established the minimum standard for safety and that your adherence and certification to that standard assures that you have not been negligent in regard to the safe design and use of the product.

When compared to the common application of safety standards in the USA, the EU may have an advantage. The U.S. does not have a mandatory certification requirement for manufacturers of capital goods equipment. In the case of WMMA member companies, we have a standard specific to the product that we manufacture, ANSI O1.1. WMMA serves as secretariat for the standard and works hard to assure that the standard requires due diligence in the design, installation, care and use of woodworking machinery...but the standard is a voluntary standard! And the U.S. manufacturer is often portrayed as being unconcerned for the safety of the users of our products. Perhaps if we used a third party to certify our products to the standard we could begin to change the perception that manufacturers are a heartless group. The first step is to develop a solid standard that requires the manufacturer and user of the equipment to adhere to a comprehensive application of safety in design and use of the equipment and the second is the development of a certification system similar to that in use in the EU. These, together with reform of the U.S. Tort Laws, would offer some protection for the manufacturer who has certified his product to the U.S. Standards. This would also provide a safer workplace and enhance the image of the U.S. manufacturer.

So, yes the CE is a trade barrier, but it is also a system that helps to limit the flood of product liability claims in the EU courts that we are faced with in the U.S. But, the next time you hear someone jump to criticize the concept of third party certification to safety standards, you might want to give the issue a second thought...it might not be all bad! ■



## WMMA's Education & Scholarship Program – The Proof is in the Pudding

*By Todd Herzog, Accu-Router Inc., Chair, WMMA Education & Scholarship Committee*

I am pleased to share with you Accu-Router's experience with the new WMMA Scholarship model, whereby members can set up their own scholarship arrangement with a local 2 or 4 year institution.

At first, the time commitment looked excessive. This proved not to be the case. I decided to approach the opportunity with a clean sheet of paper. I interviewed both Tennessee Tech and the University of Tennessee mechanical engineering departments. In both cases, I met with the M.E. dean. They were very much motivated to participate with the WMMA Scholarship program with the two year, \$3,000 per year benefit. We ultimately chose Tennessee Tech because they had a larger M.E. population, a hands-on orientation, and were closer to us in miles. It took two trips to set up the WMMA program. Tennessee Tech then went out with e-mails to their juniors-to-be class over the summer after their sophomore year. That led to several candidates applying for the one scholarship. We interviewed them all and selected the student we were most interested in, Philip Huss. Philip will do a 60 day summer internship at Accu-Router this June and July. He is a very sharp young individual. We had Philip visit our plant over the winter to get better acquainted. The end result is this effort did not require the excess time I first envisioned. We have had the following "extra benefits."

- 1) We had an unexpected loss of an M.E. on staff at the end of 2002. We lobbied for candidates from the graduating class in December through the "machine tool" faculty member we had gotten to know. He personally recruited his best students interested in machine tool design. We hired one after several interviews who is working out very well for Accu-Router. This was a short notice accommodation that depended heavily on our new acquaintances.
- 2) We had a particularly difficult warranty problem arise. Our M.E. Tennessee Tech graduate took parts from the claim to the M.E. dean on two occasions, and he gave a significant analytical effort to assist us. His feedback was invaluable with the customer in resolving what could have been a much more difficult situation. He did an outstanding job of assessing why a component failure occurred. His derived position was irrefutable. His completeness was outstanding. This is an engineering resource that will be of substantial future benefit.
- 3) We have asked our "machine tool" PhD to assist us in finding a second scholarship student for the new fall term. Accu-Router would like to have a steady stream of M.E. talent/young graduates that we could access through this WMMA program. We could change the major at any time to fill another future employment need.

The WMMA Scholarship Program offers any member the opportunity to develop their own scholarship program with WMMA funding. I truly believe this is one of the greatest benefits of belonging to WMMA. Shame on members who do not take the time to take advantage of this opportunity. We need young, well educated talent entering our companies. ■

## Jobs and Growth Tax Relief Reconciliation Act of 2003 continued from page 5

the alternative minimum tax. Thus, under the provision, dividends are taxed at rates of five for the lowest income bracket (zero, in 2008), and 15 percent for higher income brackets. The provision applies to dividends received in taxable years beginning after 2002 and before 2009. Since most smaller businesses do business as sole proprietorships, partnerships and S Corporations, the dividend tax rate cut may not be of value. It will probably spark interest in converting to "C Corporation" status, which would permit the distribution of dividends. Complicating factors such as conversion rules; existing "reasonable compensation" anti-abuse rules that prevent channeling of income to owners in different ways; and the temporary nature of the cut may all combine to make conversions less than attractive. Tax advisors to individual businesses will have to sort out the pro's and con's of a conversion.

Given the temporary nature of some of the changes, now is the time to talk with your own tax advisor and encourage your customers to talk to their advisors! ■

## WMMA Business Advisory Service – Legal Information a Phone Call Away



WMMA has offered the FREE Business Advisory Service to members since January 1, 2002. Members are welcome to call WMMA Legislative Counsel, John Satagaj (202-639-8888), with perplexing business questions. To re-introduce members to this invaluable service, Editor of *The Cutting Edge*, Jean McCann, asked Mr. Satagaj how the program works.

*Q: What is the purpose of the WMMA Business Advisory Service?*

The service is designed to help our members make up-front, cost effective decisions on how to approach a situation with potential “legal” consequences. This is not legal advice, but legal information. We aim to provide information about pressing questions, and to help members sort out whether they need to retain legal counsel or if they can handle the situation on their own. In the course of our conversation, we may be able to reduce the need to go to a lawyer. Or perhaps the matter is really just a business question. We are equipped to handle the variety of questions that our members have.

*Q: What are the most common topics about which you are asked?*

The most common topics we hear about are 1) those relating to employment law, including hiring and firing, 2) some tax questions relating to business operations, and 3) questions on commercial transactions.

*Q: What can this service save members in terms of time and resources?*

It is difficult to put a dollar amount on what is saved, but I will say that:

- 1) My phone conversation with the members may either confirm or rebut their own instincts about how to handle the situation. I can usually separate the myths from the realities of the law. I take pride that this is practical information.
- 2) There is a time value involved - I can either answer the question myself, or send the member in the direction of other resources. I am not looking to be engaged to provide legal services.
- 3) If members have a serious legal problem, then they will have to go a lawyer anyway. But hopefully my advice will make the initial process less daunting for members and if nothing else, they might have a better handle on what they need to ask their lawyer.

*Q: What resources do you provide through the calls?*

First of all, there is my own twenty-five years of experience of working with businesses. While there are always new questions, most questions I have heard many times before. More often than not, I can quickly point the caller in the correct direction. Sometimes, I can refer members to pertinent websites or federal agencies. When appropriate, I sometimes follow up with a fax or copies of published materials that can further assist members with their issues.

*Q: What is your schedule for availability to our members?*

We only take phone calls. This is the most efficient and effective way to communicate information to our members on legal issues. Our office hours are 9:00 AM to 5:00 PM Eastern, Monday through Friday. Remember, these are informal conversations. There is no limit to how many times a member can call, or how long a call will last. We can usually cover all areas of concern within 15-20 minutes.

I encourage all WMMA members to keep our number at their fingertips. This is a free service and member benefit offered only to WMMA members. ■

*John S. Satagaj, Attorney at Law  
Washington, DC  
(202) 639-8888*

## Warning: New Methods of Extortion by Cities

A WMMA member recently received a letter from an auditing company hired by the City of Hawthorne, CA. This auditing service went into businesses in the City of Hawthorne to perform audits to make sure all businesses were in compliance with the city's Business License Ordinance. While they were doing this, they collected all vendor information from the business. THEN, they mailed, on behalf of the City of Hawthorne, a letter which states that you, the vendor, must apply for a business license – send money now as “penalties are continuing to accrue.”

After speaking with a lawyer, this member discovered that since they did not have a salesmen, store front, or factory rep in the City of Hawthorne, they did not need to apply for a business license.

How many other manufacturers are falling victim to this kind of extortion - solicitation for funds through scare tactics? Clearly, businesses in the City of Hawthorne are up in arms over this threat to all their vendors. Please be on guard against such claims!

## WMMA Press Tour Deadline is June 27th!

Let WMMA Bring Trade Press to Your Booth at the AWFS® Fair. Will you have a new product on display at the AWFS® Fair? Make sure the Trade Press stop by your booth on Wednesday, July 30th. Sign your company up today!!

Link to - <http://www.wmma.org/members/whatsnewmo.htm>

## “What Does Your WMMA

**Industry Tradeshow Discounts**  
**Worldwide Publicity**  
**Monthly Newsletter**  
**Educational Opportunities**  
**Industry Advisor Program**  
**Industry Safety Standards**  
**Industry Statistics**  
**Economic and Benchmarking Data**  
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**Legislative Calls to Action**  
**Internet Links**  
**Leads for New Business**  
**Access to Overseas Distributors**  
**Export Trade Certificate**  
**Networking with Industry Peers**  
**Manufacturer/Distributor Conferences**

*Dues Dollar Buy?”*

## WMMA Mission Statement

*The WMMA shall represent and support domestic manufacturers of equipment and tools used in the processing of wood and wood products from the forest to finished products.*



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Raylene Torres	Meetings & Communications Director
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G. A. Taylor Fernley	Management Liaison
John Satagaj & Andreas S. Kalisperis	Legislative Counsel 1010 Massachusetts Ave. NW, Suite 400 Washington, DC 20001 (202) 639-8888
Harold Zassenhaus	Export Director 7758 Wisconsin Ave. Suite 306 Bethesda, MD 20814 (301) 652-0693
Joseph Mc Hale	Legal Counsel

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