

Hello, my name is Shawn Porter. President of TPE Industries, TP Electric, Inc. (Oil and Gas Markets), TP Electric & Power (Industrial/Data Markets), Penns Woods Measurements (Automation/Industrial/Engineering Markets), As-Is Rental Sales and Lease, TP Payroll Services, and Ridgeline Wind Technologies. I appreciate the opportunity to come today and speak about a few things such as a little info on our companies and how we are surviving, the benefits of doing business in Pa, my complaints on the lack of Heavy Industrial work, the contractors to jobs ratio, the Oil and Gas Industry, Out of State workers/contractors, and the FIXING of this mess. (Please note that I am an Electrical Contractor and not an English Professor- so ignore my run-on sentences and all the grammar mistakes...)

All of our companies are spurs from our original company that focused on Electrical Contracting formed in 1989 by my father Thomas H. Porter. Each of the companies above are in their own way are somewhat "specialized" so we can focus on particular sections of the electrical industry. For example, TP Electric and Power would install the High Voltage Power Line, usually 70,000 volts or more, to a Natural Gas Compressor station where TP ELECTRIC INC would install all the power panels, wiring, conduits, and final terminations. Once TP Electric Inc makes these installations, our Automation arm- Penns Woods Measurements would install all the instrumentation, code, and control that actually acts as the brains of the station. I have found that one company's strengths are not enough to survive in today's construction or specialty trade markets. We have had to diversify over and over again to better serve our clients, both existing and future, and have the ability to offer what they want/need. Adapting and moving with the industry is the only way to make it in Westmoreland County, Pennsylvania.

The benefit of me personally doing business in PA was strictly that I didn't want to move and my father started a contracting company. I just followed in his footsteps, whereas the majority of my friends have moved out of the state for work, since there were not many options here. The other main reason that doing business in Pa is that as of right now, the taxes for an S Corp is reasonable. I feel that this is a very attractive way to do business in PA. Learning some things about a planned budget that may come out soon is an increase in taxes of over 15% for a business like mine.

History

The very beginnings of our company were solely based on Heavy Industrial work at the nearby RIDC facility which used to be the Chrysler Plant (1970's), the Volkswagen Plant (1980's), then the Sony Plant (1990's-2005). We started working for Volkswagen and shortly after we were picked up by Sony to provide all the electrical installations for the plant. Starting out we had 4 guys, immediately jumped to 15 almost overnight, to a core group of 40 electricians consistently. All this happened over the course of 4 years while working for Sony. This facility was absolutely amazing. It had everything an industrial plant should be. Chemicals, railroad, power, robots, product, testing, trucking, and tons of employees. I believe that Sony employed over 3,000 people (including temp agency placement). The area and its people had an anchor. Everyone you talked to worked at that plant for Sony. *Fast forward to today.....* that facility tenants are practically using 5% of what it once was capable of. My company still works in the facility to this day with 3 full time electricians. I may be wrong on this figure, but driving through the parking lot, looks like 500 people work in the entire facility now which means there is Small Industry

there and that's what I want to talk about today. What did we do to the Large Manufacturing Industry??? Why did it leave and when is it going to come back? What can we do about it right now?

Complaint

My biggest complaint is that Pennsylvania needs to do something different to stand out from the rest of the Nation, or at least get a grip on what is actually going on. I am talking about bringing in and keeping large scale manufacturing. Some of you may say that PA is ranked #7 or 8th in the nation for manufacturing and you are right, but let's focus on one type of manufacturing, Heavy Industrial manufacturing. Pennsylvania needs more organizations like GE, GM, Ford, DuPont, Siemens, Kraft Foods, Toyota, Sony, Heinz, Boeing, and 3M, just to name a few.

Ratio of Contractors to Jobs

As being the type contractor we are, we are the 'troops on the ground' so to speak and we see firsthand what type of manufacturing we have in this state and the majority of it is made up of small scale industrial manufacturing. Driving through an industrial park is a prime example of what type of manufacturing we have here and it is not enough. Pennsylvania has in its bucket some of the smartest and hardest workers that you will find and most of them are not being used to their potential. Same goes for companies too. I have seen many large companies get torn apart because they were unable to keep the upper management because of "Lack of work". So, what happens to these people? They start their own businesses. One large company that folds or slows down creates a huge pool of new businesses that do the same type of work. Dick Corp is a prime example. Many of the large contractors you see today are offspring of this company. Now if this trend continues and these offspring companies run out of work, you have now quadrupled the amount of companies. I'm leading up to an enormous amount of competition for simply scraps of work for trade's people. I see it every day. Contractors cutting their profits to nothing and some actually "buying the jobs". Simply to keep the cash flow coming, therefore we are all in survival mode and have been for quite some time. Every Public job I see whether it is prevailing wage or not usually has 4-8 General Contractors bidding a particular project. Each one of these "GC's" typically has 3-5 Electrical Contractors bidding to them. Therefore my competition is roughly 16-20 other Electrical Contractors then lump on the chances of the General Contractor that I bid to getting the job.... If I get a project like this, I am already a loser. Many other contractors bid these types of projects banking on change orders. In my opinion, a lousy way to do business. The reason we are in this situation is that the ratio of contractors to work is not right.

What I want to make clear is that I'm not saying there is not any manufacturing jobs in PA, because there are, however not what it used to be. Go to downtown Pittsburgh, Harrisburg, Philadelphia and you see some huge global type company names, but 90% of those are offices. They book the revenues here; however the majority of the "hard labor-manufacturing" work is not done within the Commonwealth. The reason I chose to talk about large industry is because it is and always has been Pennsylvania's strongest attributes. I see a steady decline in large industry. Just take a train ride from

Pittsburgh to Philly and see how Pennsylvania is dying, almost looks dead already. It is a sad sight to see.

OIL AND GAS

The years 2008-2011 have been very good for Pa mainly due to the Oil and Gas boom. Before that, things were in the OK range, however many of the power plants (the type of industrial work I'm speaking of) have been given the order to "idle". This was due to air pollution and such (regs) and I understand that, however what is going to keep the trades working once Oil and Gas becomes "idle" as well? It will happen because having a 100% oil and gas company (which is 65% of my overall business), we have seen that sales in Pa have been cut by at least 60% and shifted to mainly Ohio. Some of the Marcellus slow-downs have been driven by the price of gas, and the rest of it is because the Oil and Gas companies are smarter than you think.

Pennsylvania needs to address the gas reserves we have here and make it known that the state is willing to capitalize on this resource to bring in jobs. DON'T impose additional taxes on these companies; instead let them come for free. Grow this state and in return you can and will help the entire nation. Look at Latrobe Arnold Palmer Airport. They don't charge for parking and the airport and Spirit have themselves a great business model that PA should adopt. They are building a business from the ground up and not trying to make a million dollars on every ticket sale. Bring in the sheer volume of business simple and cost effective. After a little time there may be some sort of parking fee but that would once again kill the airport HOWEVER, by then, Spirit will have expanded their reach across the Nation. Same thing goes with the Oil and Gas market, don't kill them with pollution permits, taxes, and other garbage fees or they will never actually get a good foot hold for other industries to be born. Make sure they are environmentally sound and pollution is at a minimum, but let these companies come into the state and use the resource we have here to build infrastructure to support our country. Pennsylvania has such a great opportunity to become the Nation's leading Manufacturing area since the Steel Industry.

Out of State Contractors and Workers

Why doesn't Pennsylvania have contractor's license requirements? Any other state that we work in, we are required to have a contractor's license and submit a bond. We are getting Out of town contractors and workers in here doing the work that we Pennsylvanians should/could be doing. Go to Washington County. There are more Texans there than what's in Texas. These boys and girls are being paid by Oil companies that are based in Texas and they have their checks sent home.... What benefit is that for PA?

Pennsylvania needs to become a Licensed State and force all contractors who have just arrived on the scene 4-5 years ago to be tested and licensed. I feel the same way about the workers as well. They should be tested and licensed in the same manner. We do business in OH and WV as well and we have taken the test, paid the bonds, and licensed our people all before we got a single job within their borders. Why can't we do the same?

THE FIX

I do not have answers to fix this problem, it is bigger than me. The whole state needs to figure out a way to bring in large industry- I am talking about the actual process of large scale manufacturing and keeping it here.

Thinking that Taxes is the main driver to bring in or chase out businesses, there should be another way to gain that income instead of imposing taxes. Governor Wolf's idea that putting other industries ahead of the gas industry is to me misguided. We need to let the big gas companies come in and build this state before we start pushing for improvements in schools and whatnot. Even manufacturing starts with getting the resource to the surface. As I have already stated, I do have an oil and gas company, therefore I see the importance in getting this industry established. Even though we are the only state not to have a severance tax on gas production and drilling, it doesn't mean that we should tax it. I would let the big business come make their home here. Keep the revenues and local people employed here. The more people make for their families, the more they will spend, therefore flooding the market in taxable goods, which then would become an industry all of its own.

Pennsylvania needs to approach the companies that have the high-rises in the cities and make some offers on a Tax basis or some other means of sweetening the deal so that at least 20% of all products they produce is built within this state. Otherwise they are only showing the revenues of products they build out of state.

Don't increase S Corp and other small business taxes until enough work is here for us to sustain this kind of tax increase. Otherwise, we all will be in the bread line.

Pennsylvania can shine and become the nation's leading manufacturing area and the place that all business what to do business. I see signs everywhere to "keep Pennsylvania beautiful" and it is a beautiful state for sure, however it can be even more attractive by keeping it aesthetically beautiful and financially beautiful as well. Find a way to bring business in to this area so that our grandchildren can stay in the area and we would be able to see them more than just on the holidays. Do that and Pennsylvania will be beautiful.

Shawn T. Porter