



A Stimulus Plan to Encourage U.S. Manufacturing

Each state should take a portion of its federal stimulus money and allot it towards specific tax incentives that will enable U.S.-based companies to convert to U.S.-based manufacturers.

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You don't have to be an expert on the economy to come to the conclusion that the ongoing migration of American based manufacturing companies, facilities, and jobs to other regions is threatening the U.S.'s standing in the world, and, at the same time, diminishing the American middle class as we know it. You've seen friends and business associates lose their jobs, experienced your own economic losses, witnessed firsthand how scrambling to keep afloat impedes entrepreneurial advancement, and been unsettled by the increase in media reports that list China, Japan, and India as major U.S. rivals.

The reality is that if U.S. companies continue to struggle to manufacture products at the same or better per unit than they can overseas, they will never have enough incentive to manufacture in the U.S. In order to lower unemployment, maintain country-wide economic stability, and give ourselves, friends and neighbors more opportunities to pursue the American dream, companies need more financial opportunities and incentives on the domestic front.

The Plan

How do we encourage more companies to manufacture in the U.S.? I propose developing a plan that asks each state to take a portion of its federal stimulus money and allot it towards specific tax incentives that will enable U.S.-based companies to convert to U.S.-based manufacturers.

The plan, or stimulus project, as I will refer to it hereafter, would have to provide U.S. companies with more than just financial assistance. In order for the proposed stimulus project to be effective, companies would need access to a list of the actual items open for bid that details specific product characteristics and maximum price points per unit. This list could be created through an open request for proposal (RFP) process that asks big box retailers to request bids from U.S. manufacturers for any or all items they had been manufacturing overseas for the past three years or more.

Currently, it is standard for big box retailers to perform RFPs for all products annually. If a big box retailer were to become involved in a stimulus project such as the one I'm proposing, they would need to agree upon a price for a minimum of two years and change their RFP process from annually to biannually. This would not only keep them from having to participate in an RFP process perpetually, but give them the opportunity to lock in pricing for two years. Any big box retailer that voluntarily enters the program would also have to commit to awarding the production of its goods to a U.S.-based manufacturer that is able to demonstrate the ability to effectively manufacture the items on the list in the U.S. for the same or lower price than is currently being offered by overseas manufacturers. It would be unwise not to include a stipulation in the stimulus



plan that mandates that any company that voluntarily enters the program must agree not to give overseas manufacturers the opportunity to re-bid at lower prices and undercut the US manufacturers' prices. I would also propose that only companies that have been manufacturing overseas for three years or more be eligible to participate in the stimulus project.

The Participants

In my estimation, to pull off a stimulus project such as the one I'm proposing would require the following four entities:

1. A U.S. management service provider (MSP) government committee
An operational arm of the MSP government committee
2. Government stimulus participant (GSP) companies (i.e., big box retailers)
3. U.S.-based manufacturing (USM) companies
4. Independent U.S. MSP consultant companies

The MSP government committee would have to be formed to encourage big box retailers to become GSPs. The MSP government committee would also have to be responsible for regulating and auditing all tax incentives granted to GSPs, and for creating a "Newly Made in America" logo to be placed on any U.S.-made item that qualifies. The logo would be very important because adding it to qualified items would be the easiest way for participants in the stimulus project to effectively direct consumers' purchasing decisions.

The operational arm of the MSP government committee could be responsible for the creation and management of an open RFP website which lists all eligible items up for bid. The site could house such things as: the RFP, details on both the RFP and request for quotation processes, and a portal that allows GSPs to place qualified items up for bid and USM companies to bid on them.

A GSP could be any big box retailer that voluntarily enters into the stimulus project. Two of the major benefits GSPs that enter the program would reap are: 1. the ability to add the "Newly Made in America" logo to products that qualify, and 2. significantly faster replenishment of products due to a great reduction in lead time. Less need for storage due to just in time (JIT) inventory would be an additional benefit.

Any U.S.-based company or entrepreneur would be able to submit their business plan via the open RFP website, and, upon being qualified, participate in the open RFP process and become an official USM. MSP consultant companies would not only be responsible for qualifying potential USMs, but for evaluating what is needed to ensure that a USM has all the funding and resources it needs to effectively produce the products in question at the price agreed upon in the RFP. (Qualified USMs would have the ability to choose their preferred MSP consultant from a list of MSPs involved in the project.) An MSP consultant could be any independent consultant company that has demonstrated the ability to effectively evaluate a company's structure and reliability.

MSP consultants should act as liaisons between GSPs and USMs, and help USMs prepare both their RFP responses and sample items. If resources are needed to produce items, MSP consultants would also help USMs apply for business loans. U.S. banks are still reluctant to give business loans, but a portion of their bailout funding could be designated for use as loans that support approved USMs. The loan approval process would have to be made more lenient for USMs.



After an MSP consultant electronically submits an RFP response to the GSP within a timeframe outlined in the RFP through the open RFP website, the GSP would then accept a USM proposal that states that it can meet or beat the current pricing and product standards of overseas manufacturers.

The Incentives

Below are the tax incentives I feel would be appropriate for GSP companies participating in the proposed stimulus project, as well a potential 13-year timeline for the project.

Months 1-36:

- Employee and company both forgo paying all state and federal employment taxes for 36 months. This incentive is only valid for employees dedicated to the stimulus project-not all employees in the company.
- The company is exempt from paying taxes on raw materials for 36 months. This incentive is only valid for raw materials necessary for the production of the stimulus project items.
- The company does not pay taxes on overhead or expenses for 36 months. This incentive is only valid for the percentage of expenses and overhead that are required for the company to participate in the stimulus project.
- The company has priority funding for business loans.

Months 37-156:

- On the 37th month or the start of the 4th year, the complete tax exemption ends, and both company and employees, in increments, begin paying taxes again.
- Subsidies will increase in increments of 10% per year for 10 years.
- At the end of 13 years, after 3 years of tax exemptions and 10 years of incremental tax increases, both company and employees are back to paying all taxes.
- The IRS will assign auditors to evaluate the validity of tax exemption requests on a quarterly basis.

Today's big box retailers possess the power to make incentives like those above happen, or to initiate similar stimulus projects that will successfully create thousands of American manufacturing jobs. Earlier in this article, I asked the question: How do we encourage more companies to manufacture in the U.S.? I tried to answer the question by offering up my ideas for a stimulus project that would do the job. Perhaps it would now be appropriate to ask America's big box retailers a question: What would it take for you to get on board with a stimulus project such as the one I've proposed, and how soon can you do it?

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