09-10-8
Hank de Carbonel

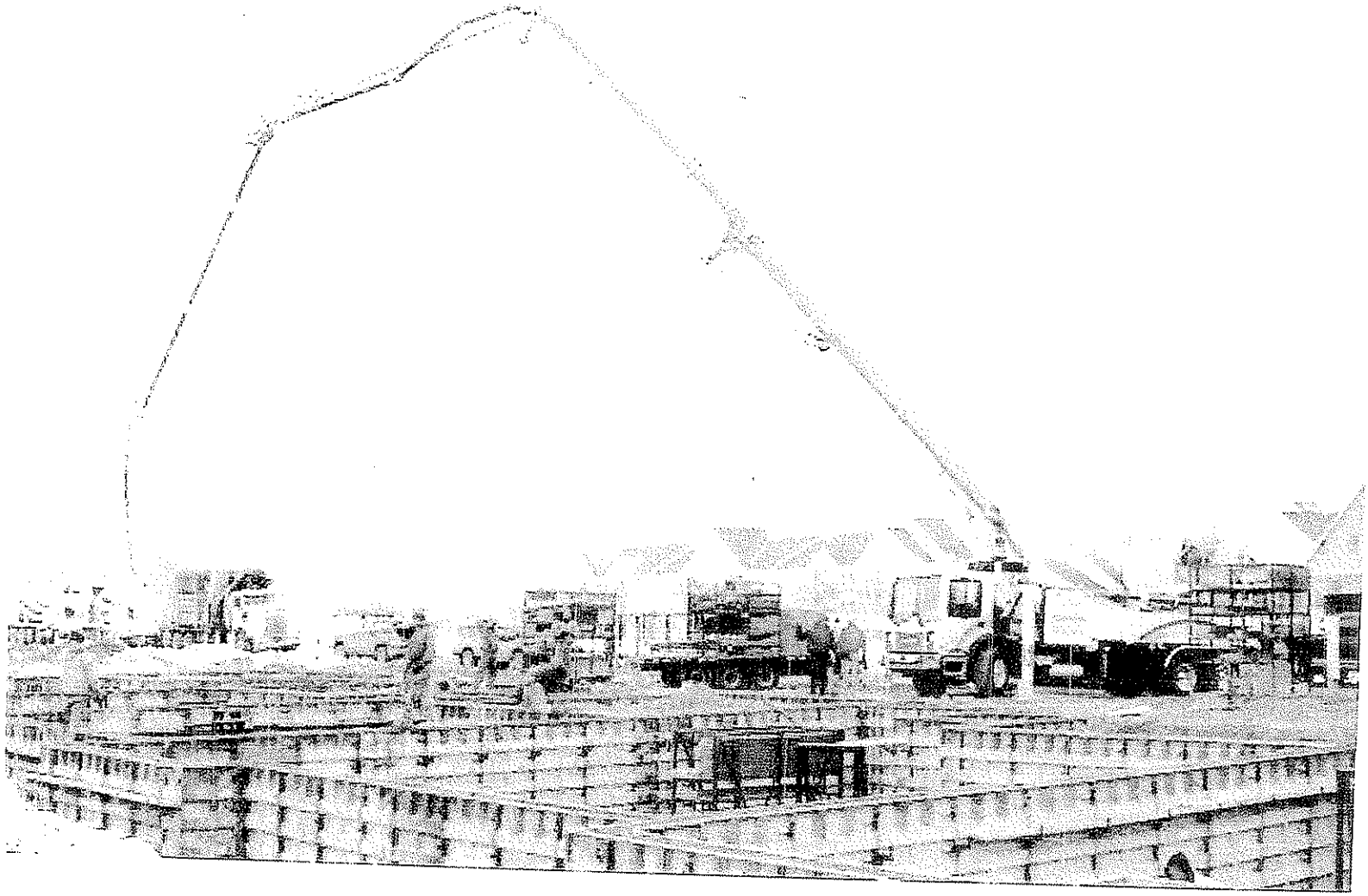
Report on the Impact of Reduced Economic Activity and Emissions Rules on the Concrete Pumping Industry in California

Prepared at the request of the California Air Resources Board, for a public workshop.

Hank de Carbonel

Concrete Pumpers of California

December 9 2009



We would like to thank the Board for the opportunity to present our view of economic conditions in California. All of us breathe the same air and drink the same water, and we want what's best for our families and neighbors in California.

Our presentation is based on economic reports from well-known and respected services and publications. Because we are a small and diverse group we do not generate reports, we do however use the information available on Ready Mix concrete. Our fortunes are a direct result of the production of Ready Mix concrete and therefore the Ready Mix figures are our guideline. Building reports and building starts reports are also a valuable guide to our fortunes.

Government spending on infrastructure as well determines our business volume and direction.

This report will start with a brief look at the National economic condition; it is brief and focused on building. Then we will focus on California. And lastly we will provide an economic profile of our owners and some conclusions regarding regulations and how the future looks to us.

In almost all cases trailer concrete pumping companies are family owned small business. Our trailer pump owners consist of Dad the operator, mechanic and salesman with Mom doing dispatch and billing while running the household. Not much time to study laws and regulations. We also have a number of specialty contractors who use pumping for shotcrete and drilling operations as well as pumping.

Boom pump companies are larger and have operators, mechanic's and the owner is often the salesman and customer service representative. Family members will do dispatch, billing and collections. There are also large fleet owners and Concrete Contractors as well as General Contractors.

As you can see we are diverse, independent and competitive group that is difficult to describe and categorize.

California has approximately 500 to 575 truck mounted concrete pumps. As stated earlier there is no central source for accurate numbers so this is an educated estimate. We do know that approximately 65 boom pumps are annually permitted due to weight laws. These pumps cost in excess of $600,000, and some are near a $1,000,000 investment. The owners of all boom trucks keep them for 6 to 9 years on average. The major wear and use factor is the pump, not the truck. The truck is permantly mounted with the pump and the engine is used to drive the hydraulic system, which drives the concrete pump as well as the boom. The boom truck travels approximately 15,000 to 25,000 miles a year, normally on a daily dispatch from the base of operations. We have some pumping services, which have multiple operations with a variety of pumps at each location. We also have a large number of smaller pumping services with one base of operations. A number of General Contractors own their own pumps as part of their equipment fleet.

Leaving out the most expensive boom trucks, the average new price for a complete truck mounted concrete pump is $485,000.This price does not include $15,000 or so in pumping hose, clamps and accessories. Most owners of more than 3 units have a full time mechanic as well as the operator who is assigned to one pump full time. Pumping services have full time salesmen and often a general manager. Depending of the size of the fleet the number of office staff varies. All of these jobs are in jeopardy.

Concrete pumping services are a rental business and generally work without contract. They get and keep their customers based on service and professionalism. They start pumping at daylight so the pump must be on site before dawn. More recently, concrete placing operations for larger jobs are done during off peak traffic hours. Long hours and hard work are the norm for concrete pumping. For this very substantial investment the owner must rely on the phone ringing or consultation with the contractor or ready mix company. Without work there are no jobs.

Any time concrete is required beyond the Ready Mix truck chute the preferred method is the pump. The average weight of one

cubic yard of concrete is 3000 pounds. Most jobs take multiples of yards, manhandling is unrealistic. Pumping speeds placement and therefore speeds overall job schedules. Most projects have tight schedules and incentives for early completion. CalTrans has found offering these incentives especially attractive.

California is noted for embracing innovation and entrepreneurial sprit. Concrete pumps have been made and used here for decades. They are used to build our houses our places of work and our communities. The original Bay Bridge was pumped, as is the new. The skylines of all our cities were made by pumping concrete. Public works projects, Energy, Water, Transit are all users of concrete pumps. Virtually all freeway overpasses were, and are pumped. Concrete Pumps have had a crucial role in building California and their need continues.

The building and construction industry in California is reeling from a severe, long lasting recession. The concrete pumping business is suffering along with all our industry and waiting for an economic upturn. Since 2007 we have a witnessed a decline, 2007 was about a 15% reduction. The 2008 decline was an additional 30% reduction and 2009 is at least 70%. These percentages refer to work requested, not profits. These numbers mean that this year at least half the time our trucks were parked. Millions of dollars of investment, not earning income and not building California. This is a 90% decline since 2007.

While the equipment sits their costs do not stop. Insurance, payroll, license fees property payments and taxes continue. Payroll must be reduced. In the beginning of the decline it meant fewer hours worked, now it means zero hours or complete layoffs. These valued operators; mechanics and other teammates still have families to support. The effects have a large multiplier in our communities. Concrete pumping pays well and our people are committed capitalists.

The CARB regulations coming in the midst of all the other problems are crushing. The cost to install an approved device on our pump trucks is estimated at $14,000 to $17,000. The device has not been tested to see how it may change our work methods. Location of the pump on the job etc, due to high exhaust temperature. To add a

large expense to our industry at this time will no doubt be the last straw for a number of our members. This will force many to close down and the loss of more good jobs. Many of these older pumps with their engines would be replaced in the course of a normal business cycle. These mandates accelerate that process at enormous cost for marginal benefit. Recent news reports from around the world as well as in California regarding air issues call into question proceeding with these regulations.

Concrete pumpers were participants in the growth of construction and their services were in large demand. Many saw the opportunity to replace older units or expand their fleet. In the last decade boom lengths have gone from 100 feet to just under 200 feet. The longer the boom, the greater the purchase price. The rental rates charged are based on boom length and yardage. The longer booms speed production and therefore were in great demand. Bank financing was usually for 6 to 8 years. Payment for a pump depending on size would be $8000 to $18,000 per month. Both the pumper and the banker did not foresee the current conditions. These payments continue.

The drastic decline in construction across America, as well as in California has resulted in truck mounted concrete pumps becoming a common feature at Ritchie Bros auctions. Some pumps are repossessions by lenders and owners also place some. In both cases the result is devastating. Truck pumps until the last five years were rarely seen at auction, and were usually older obsolete units. Today it is common to see current production pumps less than 3 years old at auction. Traditionally, concrete pumps had one of the highest resale values of all construction equipment. A five-year-old pump would sell for 70% to 80% of purchase price. Today, across the nation a different number has become the norm. Now that same machine can be bought for 15% of original purchase price!

It should be remembered that an 80% reduction in income is not an 80% reduction in profit. Income is what pays the payroll, bills and taxes and the costs of regulations. If all other commitments are met the amount money left is profit, subject to additional taxes.

The "impact of the reduced economic activity" is catastrophic. The imposition of emission rules at this time will take us one step

closer to the abyss for many concrete pumping companies and the many good jobs they provide.

We appreciate being asked to participate and share our views on the costs of CARB regulations to our industry. We look forward to further discussions with the board. If you have any questions or would like additional information please do not hesitate to contact us.

SCHWING

Generally speaking trailer pump owners fall into two categories. The specialty contractor and the concrete pumping service.

There are approximately 2,500 to 3,000 trailer mounted portable concrete pumps in California. Because there are no statistics kept on sales by government or industry the number is an educated estimate. The owners keep the pump for 5 to 8 years. The price for the pump new is $60,000 to $70,000 plus additional $10,000 for hoses clamps and accessories. In addition the equipment needs a truck to haul the hoses etc and tow the pump. Usually a one-ton pick up or larger is dedicated to the pump. This is a total investment per pump in excess of $130,000. Each pump in the fleet multiplies this commitment.

In the past a used trailer pump would sell for $25,000 to $35,000 depending on condition. The used pump is sold without any hoses or tow vehicle. The resale value stayed at about 50% of new for decades. But that has changed. Now the used pump alone will sell for $5,000 to $7,000!

The owner operator is a rental service and depends on his personal contacts and referrals for jobs. If the phone does not ring he does not work. He charges by the hour plus the yards pumped. He is expected to be on the job at first light. The pumper desires to get two jobs per day, or at least 6 billable hours a day. The pump IS his business. A concrete pump is specialized, and it only pumps concrete.

The specialty contractor uses his pump as a part of the overall scope of his work. It may be spraying concrete for swimming pools or irrigation ditches. Structural foundations or seismic retrofit work. Pier and drilling and a host of other applications. In his case the pump is one of his tools as well as a component of his total net value.

In both cases the net worth of the pump has been devalued by 70%. This decline has accelerated to the present level of work, documented in the economic reports and daily news reports. This

decline has been going on since 2007, and continues today. When income declines by 50% any savings are quickly dissipated. If I enjoyed growth during the previous good times and expanded my business I have also added a monthly payment. The payments continue when the work declines or ceases. The profit margins are narrow in the best of times. A decline in the work is devastating. At this time most owners are just trying to survive.

Into this toxic environment comes an additional burden. The CARB regulations.

The owner has seen his business decline by 90%, his income decline by at least 90% to 100%. The prices for fuel, gas and materials rise in order to pay for Green laws mandated by government. This is in addition to the costs for all products and services we are all forced to pay.

CARB now expects the pump owner to replace the engine to meet the new standards. The average price for a replacement diesel engine is $12,000 to $15,000. The current engine runs 1200 hours a year at most. It has a useful life far longer than the replacement mandated CARB. In addition to the cost for a replacement is the registration fees and record keeping mandated by CARB. Banks will not finance a component of the collateral; it is difficult to believe a responsible lender would finance a new engine in these conditions.

With the construction industry in survival mode in California there are casualties. As companies try to survive they look to sell assets that have cash value. If too many pieces are placed for sale the price drops. We are in that condition.

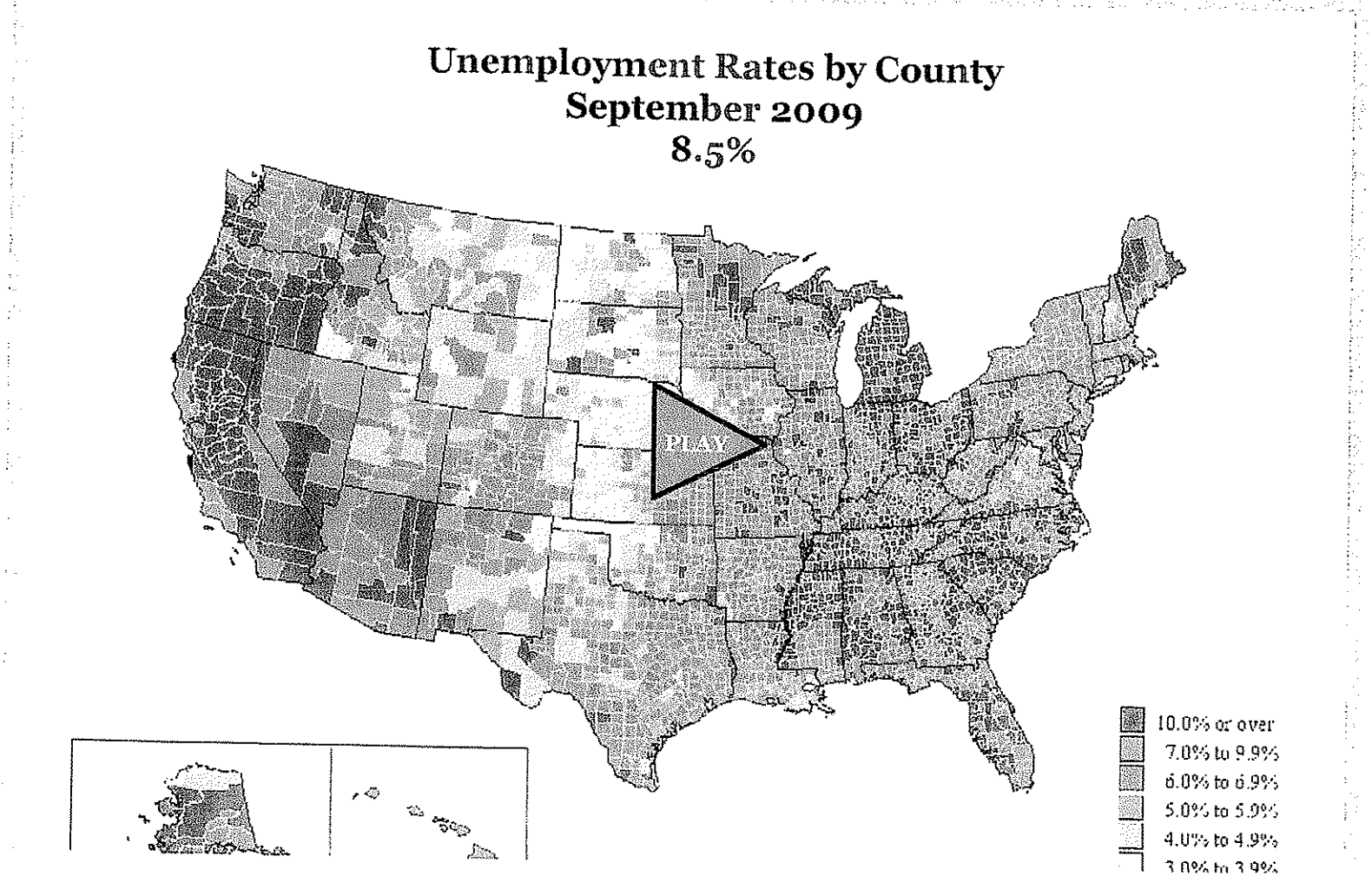
Until recently trailer pumps retained a 50% resale value. Today they are loosing 75% to 80% of value. In addition, sales of many of these pumps must go out of state due to CARB rules. Today it costs about $1.50 a mile to transport a pump. A potential buyer considers this when looking for equipment.

There is no one left untouched by this downward economy. Each pump represents a job and a household depending on the income earned from that pump. If you take the circumstances we are in and multiply by even half of the overall number of current owners, it is not encouraging. The relentless addition of rules and regulations

however well intentioned, are not helpful.CARB regulations at this time are a burden that cannot be absorbed by the concrete pumping industry.

The Decline: The Geography of a Recession

by latoya egwuekwe



California

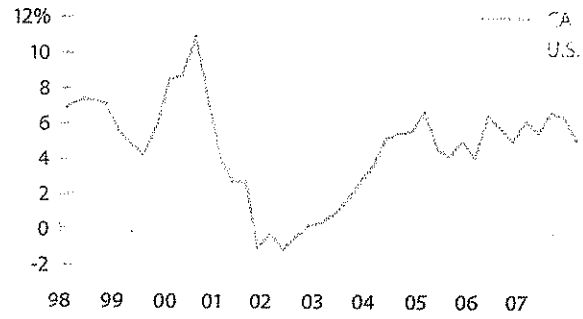
27 Economic Performance Rank: 2009

43 Economic Outlook Rank: 2009

Economic Performance Rank (1=best 50=worst)
A historical measure based on a state's performance (equally weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

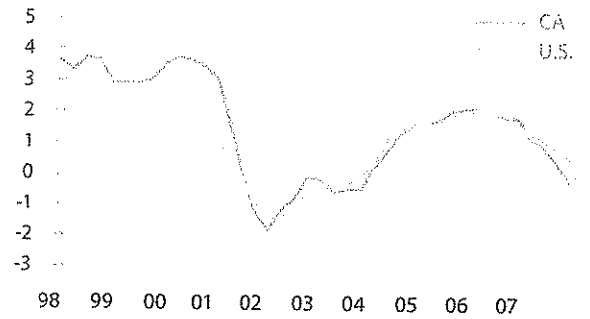
Economic Outlook Rank (1=best 50=worst)
A forecast based on a state's standing (equally weighted average) in the 15 important state policy variables shown below. Data reflect state + local rates and revenues and any effect of federal deductibility.

Personal Income Per Capita
Cumulative Growth 1997-2007 **56.0%** **Rank: 12**



Absolute Domestic Migration
Cumulative 1998-2007 **-1,438,480** **Rank: 49**

Non-Farm Payroll Employment
Cumulative Growth 1997-2007 **15.5%** **Rank: 15**



Historical Ranking Comparison
2008 ECONOMIC OUTLOOK RANK

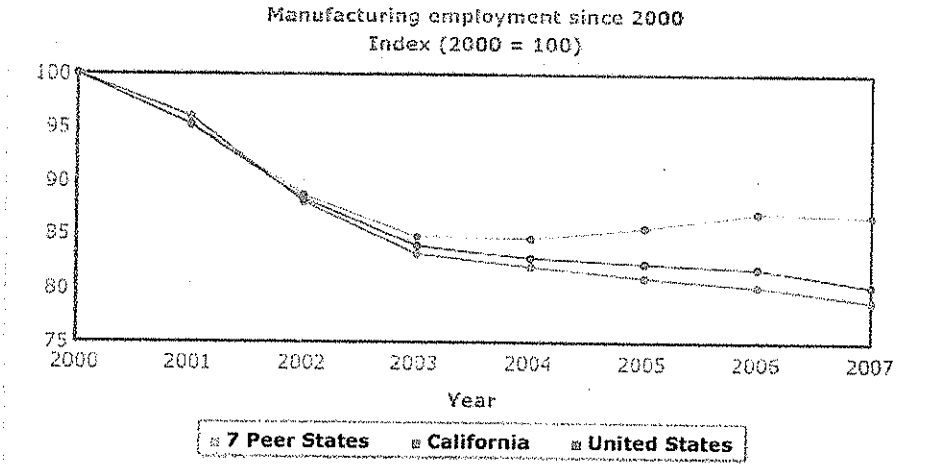
Variable	Data	Rank
Top Marginal Personal Income Tax Rate	10.30%	49
Top Marginal Corporate Income Tax Rate	8.84%	37
Personal Income Tax Progressivity (change in tax liability per $100 of	$34.88	50
Property Tax Burden	$26.63	14
Sales Tax Burden (per $1,000 of personal income)	$23.72	31
Remaining Tax Burden	$16.99	18
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes	$0.88	40
Debt Service as a Share of Tax Revenue	8.3%	35
Public Employees Per 10,000 of Population	500.6	7
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	51.8	44
State Minimum Wage	$8.00	48
Average Workers' Compensation Costs (per $100 of payroll)	$2.72	37
Right-to-Work State?	No	50
Number of Tax or Expenditure Limits (0= least/worst, 3=most/best)	2	4

Manufacturing 2.0: A More Prosperous California

Home | Employment Table | Indicators | California | Arizona | Indiana | Kansas | Minnesota | Oregon | Texas | Washington

California

The manufacturing sector contributed 12.8 percent to the state's real GDP in 2007, most of it from high-tech manufacturing industries. California has the largest share of manufacturing employment in the nation with almost 1.5 million jobs. The state is a leader in high-tech manufacturing and innovation. It attracts millions of dollars in venture capital investments and has the largest share of industrial research and development expenditures.



The top ten manufacturing industries in terms of employment in California accounted for 44 percent of state manufacturing jobs in 2007. Six of the ten largest employers were in high-tech manufacturing. High-tech industries such as IT, aerospace, and biopharmaceuticals typically involve higher-paying occupations and value-added production and services. Because of the high number of workers in high-tech manufacturing in California, the average wage of manufacturing employees in the state was more than in most states. Technological advances coupled with a high-skilled work force make California one of the top states in productivity. The value added per production worker in the state was more than $268,000 in 2007, more than the U.S. average.

Manufacturing employment index (2000-2007)

State	2000	2001	2002	2003	2004	2005	2006	2007
California	100.00	96.01	88.08	83.25	82.11	81.10	80.31	78.98
United States	100.00	95.22	88.37	84.03	82.91	82.40	82.00	80.41

Sources: U.S. Bureau of Labor Statistics, Moody's Economy.com, Milken Institute.

Top five indicators

Indicator	United States Value	CA Value	% Change	Peer State Rank
Real gross state product (US$ billions)	$11,523.9	$1,549	20.3%	4
Per capita personal income (US$)	$38,615	$41,805	28.8%	3
Total exports of goods (US$ billions)	$1,162.5	$134.3	12.3%	8
Manufacturing's share of real GDP (%)	13.6%	12.8%	-9.8%	8
Real manufacturing output per worker (US$ thousands)	$113.6	$136.8	39.1%	4

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau, Milken Institute.
Note: Data are 2007 figures, unless stated otherwise. The rankings are among the eight peer states, 1 = best and 8 = worst, based on the growth rate between 2000 and 2007.

Economic climate indicators

Indicator	United States Value	CA Value	% Change	Peer State Rank
Real gross domestic product (US$ billions)	$11,523.9	$1,549	20.3%	4
Total nonfarm employment (thousands, SA)	$13,7604.3	$15,173.4	4.7%	5
Total exports of goods (US$ billions)	$1,162.5	$134.3	12.3%	8
Per capita personal income (US$)	$38,615	$41,805	28.8%	3
Median household income (US$)	$50,740	$59,928	26.2%	1

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau, Milken Institute.
Note: Data are 2007 figures, unless stated otherwise. The rankings are among the eight peer states, 1 = best and 8 = worst, based on the growth rate between 2000 and 2007.

Business climate indicators

Indicator	United States Value	CA Value	% Change	Peer State Rank
Corporate income tax rate	15.0% -35.0%	8.84%	0.0%	7
Individual income tax rate	10.0% -35.0%	1.0% -10.3%	0.0% - 10.8%	8
Property tax rate	13.8%	6.8%	--	1
Sales tax rate	0%	6.25%	4.2%	3
Employer unemployment insurance tax rate	0.66%	0.73%	37.7%	3
Total state-local tax burden rate	9.9%	10.8%	2.9%	8
Per capita total state-local taxes paid (US$)	$4,223	$4,993	32.4%	8
Government debt as % of GDP	65.5%	6.3%	43.2%	5
Per capita government spending (US$)	$14,327	$6,390	44.5%	8
Nonfarm establishments (latest 2006)	7,601,160	878,128	9.8%	4

Sources: Bureau of Economic Analysis, The Tax Foundation, U.S. Census Bureau, U.S. Office of Management and Budget, Milken Institute.
Note: Data are 2007 figures, unless stated otherwise. The rankings are among the eight peer states, 1 = best and 8 = worst, based on the growth rate between 2000 and 2007.

Manufacturing indicators

Indicator	United States Value	CA Value	% Change	Peer State Rank
Manufacturing share of real GDP	13.6%	12.8%	-9.8%	8
High-tech manufacturing share of real GDP	4.8%	7.4%	6.5%	5
Manufacturing employment (thousands)	13,882.6	1463.3	-21.0%	8
High-tech manufacturing employment (thousands)	2,468.7	485.9	-22.8%	7
Share of U.S. high-tech manufacturing employment	2.0% (U.S. avg.)	19.68%	-4.2%	7
Manufacturing wage per employee (US$)	$53,804	$66,241	28.0%	2
Manufacturers' capital expenditures (US$ billions)	$135.8	$14.1	-16.8%	6
Industrial R&D expenditures (US$ billions, 2005)	$226.2	$50.7	10.7%	7
Real manufacturing output (US$ billions)	$1,571.7	$198.6	8.5%	6
Real manufacturing output per worker (US$ thousands)	113.6	136.8	39.1%	4
Value added per production worker (US$)	$249,139	$268,768	34.2%	7

Exports of manufactured goods (US$ billions)	$1,022.1	$118.9	6.6%	8

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The National Science Foundation, U.S. Census Bureau, Milken Institute.
Note: Data are 2007 figures, unless stated otherwise. The rankings are among the eight peer states, 1 = best and 8 = worst, based on the growth rate between 2000 and 2007.

Leading business and economic indices

Indicator	Peer State Rank	National Rank
State Business Tax Climate Index (Tax Foundation)	8	47
Best & Worst States [to do business] Survey (Chief Executive Magazine)	8	51
Competitiveness Index (Beacon Hill Institute)	7	24
Economic Competitiveness Index (American Legislative Exchange Council)	4	27
2007 State and Local Tax Burden (Public Policy Institute of New York)	8	41
Economic Freedom Index (Pacific Research Institute)	8	49
Small Business Survival Index (Small Business & Entrepreneurship Council)	8	49
2007 Cost-of-Doing-Business Index (Milken Institute)	8	44
State New Economy Index (Kauffman Foundation)	2	8
State Technology & Science Index (Milken Institute)	4	4

Note: Indices cited were published in 2008, unless otherwise stated. Some index rankings results were reversed from published rank in order to make them consistent across the different indices as presented here. The rankings are among the eight peer states, 1 = best and 8 = worst.

CALIFORNIA – 2008 ECONOMIC IMPACT OF THE CONSTRUCTION EQUIPMENT INDUSTRY

THE CONSTRUCTION EQUIPMENT INDUSTRY

The construction equipment industry in the California can be divided into three categories – manufacturing, wholesale, and repair. The total size of the California construction equipment market was estimated to be $9.1 billion in 2008.

THE ECONOMIC IMPACT

The economic impact of an industry in a particular region is defined as the contribution of that industry to the overall economic activity. It is possible to assess the effect the California construction equipment industry has on the total employment, output, value added and tax.

The total economic impact of the construction equipment industry on the California economy includes direct, indirect and induced effects (see definitions section). The table below presents a summary of California construction equipment industry's economic impact for 2008.

Economic Impact Summary Revenue: $9.1 billion (2008)	
Employment	214,571
Industry Output (Billion US$)	$36.5
Value Added (Billion US$)	$20.0
Labor Income	$12.0
Business Income	$6.0
Indirect Business Tax	$2.0
Total Tax Impact (Billion US$)	$4.6

Source: IHS Global Insight and U.S. Census Bureau

To summarize, in 2008 the construction equipment industry in California:

- Supported 214,571 jobs for the economy, including both full-time and part-time employees, as well as the self-employed;
- Contributed $36.5 billion to the economy's total production (output);
- Resulted in $12.0 billion in labor income – wages and salaries, benefits (such as health insurance) and payment to the self-employed;
- Created $6.0 billion worth of business income in form of rents, royalties, dividends and profits earned by corporations;
- Generated $4.6 billion in total taxes, $2.0 billion of which went to indirect business tax and the rest to corporate profits tax, personal tax, dividends, and social insurance tax.

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* Estimated based on data available as of August 2009.

DEFINITIONS

Construction Equipment Segments

Construction Equipment Manufacturing (NAICS 333120)
This industry comprises establishments primarily engaged in manufacturing construction machinery, surface mining machinery, and logging equipment (drilling and underground mining machinery and equipment, aerial work platforms, rail layers, etc).

Construction Equipment Wholesale (NAICS 423810)
Industry comprises establishments primarily engaged in the merchant wholesale distribution of specialized machinery, equipment, and related parts generally used in construction, mining (except oil well) and logging activities.

Construction Equipment Repair (NAICS 811310)
Industry covers establishments primarily engaged in the repair and maintenance of commercial and industrial machinery and equipment. Establishments in this industry either sharpen/install commercial and industrial machinery blades and saws or provide welding (e.g., automotive, general) repair services; or repair agricultural and other heavy and industrial machinery and equipment (e.g., forklifts and other materials handling equipment, machine tools, commercial refrigeration equipment, construction equipment, and mining machinery).

Economic Impacts

Direct Effect
Direct effect refers to the response of the economy to the change in the final demand of the construction equipment industry. For example, if a firm in the construction equipment segment sells an excavator to a building construction company and pays indirect taxes on its profit, then these indirect taxes are considered to be part of the direct economic effect of the construction equipment industry.

Indirect Effect
Indirect effect refers to the response of the economy to the change in the final demand of the industries that are dependent on the construction equipment industry for their input. In the example presented for direct effect, the building construction company uses the excavator it bought and makes profit on such activities. Any indirect taxes paid by the building construction firm are regarded as the indirect effects of the construction equipment industry.

Induced Effect
Induced effect refers to the response of the economy to changes in household expenditure as a result of income generated by the direct and indirect effects of the construction equipment industry. In the example presented, the employees in both firms receive wages in return for their services. They spend their wages on various items such as groceries, which contributes to the profit of grocery retailers. The indirect taxes paid by grocery retailers as a result of the profit made are an example of an induced effect.

Value Added

Value added is payment to labor and capital used in the production of an industry. It is defined as the sum of labor income, indirect business taxes and business income.

Indirect Business Tax

Indirect Business Taxes include excise taxes, property taxes, fees, licenses and sales taxes paid by businesses but do not include taxes on profit or income.

THE WALL STREET JOURNAL.
WSJ.com

NOVEMBER 19, 2009, 10:37 P.M. ET

Corporate Watch

Global Sales Declined 50% In Period Ended Oct. 31

Caterpillar Inc. said sales continued to tumble in October, dimming optimism that demand for construction machinery is improving with the uptick in economic growth.

The Peoria, Ill., company said world-wide machinery sales for the three months ended in October fell 50%from a year earlier, compared with a 52% decline for the three months ended in September.

Three-month sales in North America were down 58% through October, while sales in Europe, the Middle East and Africa declined 53%.

Latin American sales fell 41%, while sales in the Asia-Pacific region slipped 36%, slightly better than the 40% decline reported in September.

"I think we're going to stay at these levels for a while," said Lawrence De Maria, an analyst in New York for Sterne Agee & Leach. "There will be some growth in emerging markets, but developed markets on balance will continue to be extremely weak."

—Bob Tita

latimes.com/business/la-fi-factory23-2009jun23,0,3441163.story

latimes.com

MANUFACTURING

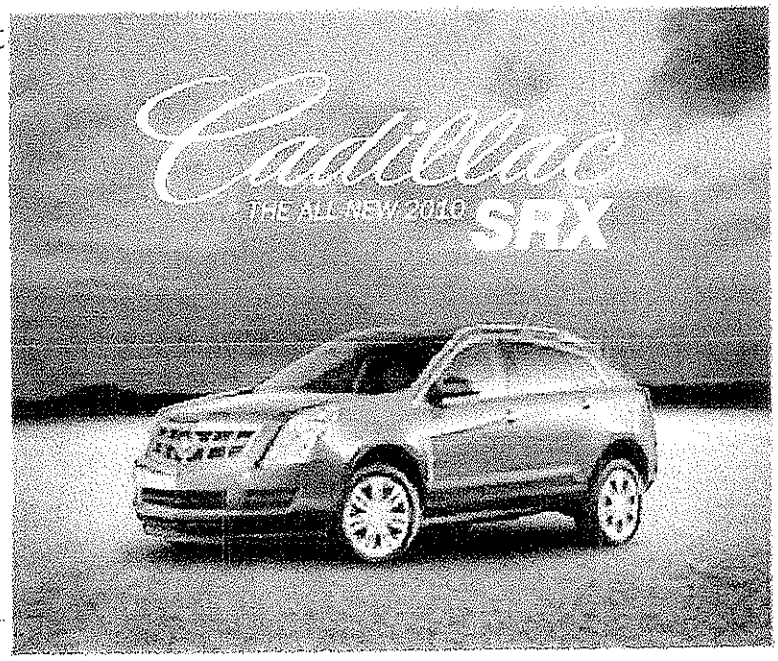
Losses of factory jobs in California blamed on regulation

A report to be issued today by the Milken Institute attributes the departure of 79,000 manufacturing jobs between 2003 and 2007 to onerous regulations and high taxes.

By Alana Semuels

June 23, 2009

The El Monte factory stopped operating just a few weeks ago, but already it feels abandoned, an appropriate setting for a "Terminator" movie.



The dusty clock on the wall is frozen at 7:00. Below it, the deep pits that once held molten steel are now empty, and the parts created there wait in hundreds of boxes to be shipped off across the country or turned into scrap.

FOR THE RECORD:
Factory closures: An article in Business on June 23 about a Milken Institute report blaming California's regulations and high taxes for pushing businesses elsewhere said Gregg Industries closed its El Monte foundry under pressure from the South Coast Air

Quality Management District to make $5 million in upgrades. The AQMD, which had not been contacted for the story, disputes the assertion, noting that in regulatory filings, Gregg's parent company cited the "overall weak economy and the particularly difficult economic issues facing the foundry industry and manufacturing" for its decision. —

Two months ago, more than 300 people were employed at the site making engine parts for trucks and heavy machinery for Gregg Industries, which is owned by Neenah Enterprises Inc. in Wisconsin.

But a settlement with the South Coast Air Quality Management District required Gregg to spend $5 million on factory improvements, so the company decided instead to leave the state. Company spokesman Adan Ortega Jr. said Gregg didn't want to make the payment in the difficult economic climate.

Gregg is part of the parade of companies marching out of California. The state lost 79,000 manufacturing jobs between 2003 and 2007, while seven other states with a meaningful percentage of U.S. manufacturing gained 62,000, according to a report scheduled to be released today by the Milken Institute.

The report blames the state's onerous regulations and high taxes in particular for pushing businesses elsewhere.

"The picture is not pretty," said Perry Wong, senior managing economist at the Milken Institute, which received funding from the California Manufacturing and Technology Assn. for the study.

The state is shedding manufacturing jobs at a faster pace than the nation as a whole, the report said. Though many jobs left the country in the 2002 recession, states such as Arizona, Nevada and Oregon saw an increase in manufacturing employment in 2003.

Part of the problem, Wong said, is that regulations change so often in California that it's difficult for companies to plan. The state enacted an average of 15 changes in labor law each year from 1992 to 2002, four times more than state legislatures averaged nationwide.

California also often requires projects to be approved in many different jurisdictions, so that a plan vetted by the state could be sidetracked by the county, Wong said.

Not everybody agrees with the report's conclusion. Christopher Thornberg of Beacon Economics said manufacturing output has been as high as ever in the state and that there's no evidence that jobs are going to other states.

"At least up to the last couple of years, the pace of job loss in manufacturing in California was no different than anywhere else," he said, basing his calculations on the state gross domestic product, the value of goods and services made in the state.

California GDP grew last year despite the global financial crisis, said Brian McGowan, the state's deputy secretary for economic development and commerce. And green-energy jobs in the state have grown at a rate 10 times faster than total job growth since 2005. To evaluate a state's business climate, he said, companies should focus on workforce skill, availability of capital and overall quality of life, rather than just on taxes and regulatory costs.

Still, Gregg Industries in large part blames the frustrating regulatory environment for its fate. Ortega said a few neighbors complained that the factory smelled, calling the AQMD hotline frequently. He said inspectors began to harass Gregg employees, citing the company for odor nuisances on days when machines weren't even running.

"The agency here was accusatory and threatening," Ortega said. "Workers lost their jobs because we couldn't meet an arbitrary standard of nuisance odors."

The Milken report also broke down the job losses by sectors. Cut-and-sew apparel manufacturing lost 45,000 jobs since 2000, the computer and electrical product industry cut 70,000 and the printing industry shed 23,500. The report calculates that if manufacturing had maintained its 12.8% share of employment in the state, nearly half a million jobs paying an average of $57,000 a year would have been preserved.

To prevent more departures, the study recommends creating incentives for innovation, assisting companies in obtaining capital, investing in workforce development and establishing an office to streamline the regulatory process.

Heftier incentives might have motivated SolarWorld, a manufacturer of solar technology founded in Camarillo, to keep more jobs in the state. It decided to consolidate its wafering and cell manufacturing in Oregon after that state offered incentives, such as property tax abatement and business energy tax credits, said Bob Beisner, a company vice president. SolarWorld will employ 1,000 in Oregon by 2011. It will also keep some jobs in

California.

"The price of land in California was extraordinary, and the incentives that the state was willing to talk about were few," he said.

The business community fears that the exodus might quicken with the implementation of more regulations, such as one that would cut warming emissions in the state to 1990 levels by 2020. The California Chamber of Commerce has labeled that law a job killer.

The state Assembly Committee on Jobs, the Economy and Economic Development plans to hold a hearing June 30 on the departure of manufacturing jobs. In April, Assemblyman Dan Logue (R-Marysville) brought 13 legislators to Nevada to talk to business owners who had been lured there from California.

"We have to stop the hemorrhaging," he said. "We have to make California business-friendly again."

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Orange County Business Journal

Printer Shutting Down in Costa Mesa, Moving to Vegas

By MICHAEL VOLPE - 7/15/2009
Orange County Business Journal Staff

Costa Mesa-based Creel Printing of California Inc. said Tuesday it's shutting down local operations and moving to Las Vegas.

Las Vegas-based Creel Printing LLC reported it will transfer the local plant's production and equipment to its Sin City site.

The move centralizes manufacturing, according to Creel.

"Moving production to Las Vegas will reduce our cost structure and give customers the access to expertise across our organization," said Allan Creel, president of Creel Printing LLC, in a release.

The move also is designed to cut customer mailing costs, Creel said.

The printer was the fourth largest commercial printer here, according to the Business Journal's annual commercial printer list, with $27 million in sales last year.

The Costa Mesa plant employed about 60 workers here. No word on how many, if any, could move to Las Vegas.

"We have carefully planned the transition to bring our best assets together, while ensuring minimal disruption to workflow," Creel said.

The Costa Mesa plant opened in 1954 and is run by Heidi Rogers, chief executive.

Rogers was not available for comment about the consolidation.