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[Maryland General Assembly Senate Committee Meetings Finance Committee Thursday, February 3, 2011](#)

If any of you tuned in to the governor's state of the state speech, you heard him mention about manufacturing; creating manufacturing jobs here in the state of Maryland. The state of Maryland used to be a great manufacturing state at one time, but a lot of the manufacturing jobs have left. We have a manufacturing council that continues to look at that whole issue; looks at what things we need to do in order to bring manufacturing back to the state of Maryland.

That is what today's overview is going to be. We've got a number of speakers.

Calling the first group ... the video we'd like to start with a video that shows the inside of manufacturing today and the importance of the workers in these factories.

Maryland's star manufacturing companies - these companies are globally competitive and they represent Next Generation Manufacturing. What we discovered is that the future of Next Generation Manufacturing is in its people. Here is their story.

My name is [Drew Greenblatt. I'm the president of Marlin Steel](#). We're a 42-year-old [manufacturer of steel wire baskets](#), [sheet metal fabrications](#), and [complex wire forms](#). We make everything in Baltimore City, [we ship all over the world; to 33 countries](#). Our labor is 100% local.

We are growing and we are going to continue growing. We are hoping to double in size over the next five years. [We invested heavily in technology; over two and a half million in new robots](#). We hired wonderful talent that is very adept, agile so that we can make things very quickly. We hired a number of mechanical engineers so we can design things very quickly and come up with innovative and different ideas. We've focused like a laser

beam on shipping things very quick. Those things saved us. [Quick delivery, high quality, great engineering. This is what American manufacturing needs to grow in the future.](#) We need to have people who are very talented in terms of character, showing up on time, giving it their all. We also need people who can read blueprints, people who can craft an email so they can articulate challenges they are having on the factory floor. We need people who are clever, who are creative so they can think outside of the box, so we do things in a new and innovative ways.

The advantage of having a career in manufacturing field is that there is a ton of experience you can learn. There is a lot of knowledge that you gain. It's a good base for anybody.

It's something different every day. You won't be doing the same thing every day. You can expand a lot and learn new things.

We are no longer just putting part A on part B; we are doing more, we are working with current technologies in such a way that really hasn't been occurring. It's actually very exciting and fast-paced. Yes, you are dealing with part A and part B, but in such a much more interesting way than just line manufacturing.

I really enjoy what I do because I see and I draw and I conceive the concept on the screen and then days later, I see it physically and I can hold it. There is a great satisfaction in being able to do that. You don't get that with a lot of jobs.

[Careers in manufacturing, I find tremendously rewarding because you actually make a tangible product.](#) There's something at the end of the day that you can point at and say - I made that product. There's a lot of pride in seeing products of ours and knowing that you created something new and unique that wasn't there before, that is now out in the world.

I like what I do. I get a lot of enjoyment out of what I do. I take pride that we make stuff in the U.S.A. There's a satisfaction in that.

When I first came in here, I didn't really know what it was all about. When I talked to Drew, he had me pumped and motivated. He was talking about bringing back America's customers to buy American products. Right there - that was like an adventure; like a challenge. I was all for it - I was on-board right then.

The key for American manufacturing and mid-Atlantic manufacturing is that we have to be more nimble, more agile. Next Generation Manufacturing is going to require high quality, fast delivery and this is only going to happen if we have companies that are nimble and can quickly react to a changing market. We have to have in our society, a manufacturing system that is prosperous and that is growing so that we can hire wonderful talent and so that we can enrich our communities with these great jobs.

Our next visitor is Drew Greenblatt. He is chairman of the Regional Manufacturing Institute. He is the president of Marlin Wire. He is on TV a lot.

[Today we have Drew Greenblatt, chairman of the RMI.](#)

I'm [Drew Greenblatt, the owner of Marlin Steel](#). We make everything in Baltimore City. We use only Baltimore City employees. We export to 33 countries and we're very proud of that. We are growing. We import nothing. We treat people really well. The average wage for manufacturing is \$64,000.00; that's 32 bucks an hour. That's without benefits. That's a tremendous number. You could own a home with that kind of number. You could own a car. You could send your kid to the University of Maryland with that kind of money. We want to grow and prosper in our state. We pay Blue Cross/Blue Shield for our employees. All of my employees own their own car.

The key here is, we want to make it so that people decide to build factories in Baltimore City or in Maryland. Not in Shanghai, not in Texas, not in North Carolina. We want to be so competitive that it's a no-brainer. You can make more money in our state because what we offer here is so great that you have to do it. Financial-sense-wise; it makes sense to do it. We have to create an ecosystem - a culture, to make us the direction for all future manufacturing factories. There are challenges and we're going to go through some of them today.

One challenge, for example, is health insurance and this is a way that you guys can help us. Right now, with health insurance, it's very expensive. I have a small company. I don't negotiate like Honeywell does or General Motors does for health insurance. So for example, I really only have 3 or 4 choices. When you only have 3 or 4 choices, you get very high prices. All of my employees have Blue Cross/Blue Shield and every year it goes up about twenty-something percent. I can't charge 20% more to my clients. So this is very challenging. This makes it a challenge to grow in our state. So things that we can do is to have people like Suzie and I to team up. So that we can form a union of factories to come together and buy collectively, health insurance. Another idea is to let us buy from any state in the Union. Right now, I can buy steel from anywhere in the world, I happen to buy it from Chicago, and I buy it from Philadelphia, but I can buy it from anywhere in the world. Why can't I buy my health insurance from any place in the world? Why do I have to buy it from Maryland? Maybe Virginia has a better policy. Maybe there's a better policy in Pennsylvania. Other things that you can do to help us is to reduce our mandates. When you put mandates on Blue Cross/Blue Shield - requirements, they have to raise the price because their cost has gone up. So if you have less mandates to Blue Cross/Blue Shield, it will make it cheaper for me. Then it will be easier for me to hire somebody. If it is easier for me to hire somebody, I will.

Other things that you should be aware of - it's important that we're such a competitive environment that we can export. Exporting is very good for our country; it's very good for our state and we have such a huge advantage because we have this wonderful port here in Baltimore, so we should capitalize on that. We should become an exporting power-house. We should lead the nation in exporting.

In summary, let me just finish up with one thought. This week, [I'm negotiating a deal to build solar panels in our factory in Baltimore City. It would mean about 40 or 45 new jobs in Baltimore City.](#) The reason why this is interesting is that I'm competing against China right now. The company that is going to award the contract is comparing me vs. China. If I can offer a better deal, they're going to give the contract to me and I'm going to hire 45 people from Baltimore City who are probably mostly unemployed today. If I lose, the jobs go to China. Isn't it better for all of us for me to win? If you can help me be more competitive, I'm going to win more of these jobs and I'm going to hire more locals. So we really are counting on you to help us. Thank you.

Taxes

Maryland has to be competitive with respect to corporate taxes. Our personal income tax rate is high because we are taxing economic activity in other places and then using that to subsidize a lower corporate tax rate. Our corporate tax rate is lower than Pennsylvania and many of the surrounding states with the prominent exception of Virginia. Not every tax in the state is going to be the lowest in the region. What I'm saying is, have we created some incentives for people not to be here? Not to manufacture here? It is true that some executives are going to say I'd rather be someplace else because I don't want to pay a lot of my income. But if you have the best school system in the country and you have the Port of Baltimore and you have BWI, a jewel of economic development and you have I-95, you can offset the high personal property, high personal income tax rate. Particularly if, at the corporate level, taxation is competitive.

There is one place, senator, where it does hurt. That is for small business because they're typically pass-throughs as you know. If you have a Sub-S corporation, a partnership or LLC, and Drew, I suspect you are one.

Yes. Most factories are 25 people, 30 people; that's what most factories are. We are all pass-throughs. We do not pay corporate income tax. We are paying it personally. The personal tax is the real sting. When you raise personal taxes, that means I'm going to hire less people. When you raise personal taxes, it means I'm going to buy less robots. It means I'm less competitive, it's less likely that I'm going to win that job against China.

[I make everything in Baltimore](#) - but it is challenging because I compete with China where they're thirty cents an hour and I'm twenty two bucks an hour. My worker's comp is \$1.50 an hour. You could hire four Chinese factory workers or five Chinese factory workers for what I pay for workers comp for one hour for one employee. That is a disadvantage.

How do we expand solar panel making in Maryland?

You have to help us cut our costs. For example, make it cheaper for me to buy health insurance. So when I hire somebody, health insurance isn't 3, 4 or \$5 an hour, instead it's a \$1 an hour or \$2 an hour. Let me buy health insurance from Virginia. Let me buy health insurance from Pennsylvania. Let it be a more robust market. Take away a lot of the mandates on Blue Cross/Blue Shield. That's one way.

Another way - worker's comp. I'm paying \$1.50 an hour for my guys. We have not had an accident in 787 days in my factory, but I'm paying 4% or 5% of my employee's wages on worker's comp. because it's so easy for them to hire a lawyer and sue my insurance company. You know what my insurance company does? They just give up and they cut a check whether the person is hurt or not. We are really safety conscious and we are still paying this kind of rate. The whole worker's comp thing is a game and it hurts factories; it hurts us hiring. These are some of the things that you can do to help us. The business about the corporate tax, if the corporate tax goes down, then more factories will move here. I'll have more customers. I'll have more prospects. Those are good things that will improve our chances of being successful.

25% of the millionaires in Maryland are small businesses, doing the same thing that you do - it goes through their business. Would the millionaires tax, if it got reinstated in Maryland cause a problem?

It's terrible!

Your most productive, smartest, hardest working people, killing themselves everyday to grow a business or grow a factory and this is how we pay our taxes. We don't have a separate entity or way of doing it. We're not like Honeywell or General Motors or somebody else where a shareholder will take care of it. It's us. What happens, you are taking it away from a rainy day fund. You're taking it away from the next robot we're going to buy. If I don't buy that next robot, I can't compete with the Chinese guy who is paying his employees 30 cents an hour. You know what they do with a Chinese employee that gets hurt? They fire him. That's what they do. We are competing against a ruthless, tough competitor. You have to help us because we're going to grow, but this millionaires tax is a terrible idea. You want more factories to leave Virginia and come here. You want more factories to leave Pennsylvania and come here. This is our seed corn. If we have a bad month and we need to make payroll, it comes out of that checking account. It's just one pot.

How are you paying \$32 an hour vs. 30 cents an hour? How are you doing this?

We have four engineers at our factory and they design [wire baskets](#), [sheet metal fabrications](#), [wire forms that help the client so they save money](#). What happens is, the client saves so much money that the cost difference between me in Baltimore making it vs. them making it in China, we're so [innovative and we come up with such good ideas on how to make this basket that we save them so much money](#), it makes it a no-brainer for them to come with us. That is the first reason. The second reason is that we ship crazy-fast. We got a job from General Motors in Canada - one of their Canadian plants in the beginning of December for a very complex basket and we made it in less than 2 weeks. With all kinds of tight-tolerances and precision. This is the kind of thing that people will pay extra for. People will pay 16 bucks, 22 bucks an hour for my factory workers if you ship it really fast. If you have really good quality. If you have amazing engineering. But if I'm just like anybody else doing dirt-cheap commodity manufacturing,

I'm toast. I have no shot. I have to add a secret sauce. [Our secret sauce is fast delivery, high quality, great engineering.](#) That's the only way we can justify the wages that impress you and I think should be appreciated by the senate.

I don't think a lot of companies have Maryland on their list. I don't think that we are reasonably competitive yet.

I think our reputation is so bad for moving a new factory in, that we need shock and awe now. We need a heavy approach, an aggressive approach. Something that when you read in the Wall Street Journal, wow - Maryland's doing that - maybe something's going on over there. That's what we need so people start moving factories here.

Might we come and tour your plant at some time? We'd be honored. You can [meet our employees, you can see what we're doing.](#)

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