



Burdened by Bureaucracy

Companies Outline Washington's Impact

By Rebecca Patrick

Looks can be deceiving. At the state level, Indiana ranks tops in the nation for regulatory freedom according to the *Indiana Vision 2025 Report Card* released last May.

But Hoosier companies also face a multitude of complicated and changing federal regulations. And unlike state laws that have outlived their usefulness, once federal ones are in the books, they are exceedingly difficult to repeal.

What's more, the current onerous regulatory climate shows zero signs of decline.

"It's absolutely becoming more burdensome all the time. The Obama administration is setting records with the amount of regulations that are being issued," asserts Tom Easterday, executive vice president, Subaru of Indiana Automotive.

"That creates a lot of business uncertainty. It stifles a lot of the ability and willingness to expand in the United States right now, both for small and large businesses," he believes.

For a better understanding of how Hoosier businesses are impacted, four organizations agreed to share some of their often frustrating – not to mention expensive – experiences.

Perspective: utility company

"Regulations cost Vectren millions of dollars without a doubt," says Ron Christian, executive vice president and chief legal and external affairs officer.

"The most difficult to comply with seem to be the environmental air regulations. ... You can take actions to comply with one requirement and then have an unintended consequence with respect to another requirement," he describes.

"We put on control equipment to address nitrous oxide and that did that very well. But then that causes other chemical reactions which then cause further control equipment to address those chemical reactions."

This moving target affects the big picture in a big way.

"You are looking at, 'Should I make an investment of X when five

years from now I can't use that investment any longer because the rules have changed,'" Christian shares.

However, he is quick to clarify that some regulations certainly are needed, but many are reactionary and can cause a different set of problems.

"Often, they tend to be the result of some bad situation (he cites one set for pipeline safety after an accident) and the reaction is, 'We can never have this happen again so let's pass a law to make sure that doesn't occur.'"

"There may need to be something (done), but the unintended consequence is now you've got all this incredibly complex set of requirements associated with this law, which is causing disproportionate impacts among companies."



Energy companies, like Vectren which serves customers in two-thirds of Indiana, face increased regulation. The EPA's recent decision to strictly limit carbon emissions for new power plants will be expensive to comply with and create uncertainty in the industry and for consumers.

Perspective: small business

Plymouth Foundry President Sam Schlosser says small companies like his don't have the in-house regulatory experts (as Vectren and other large companies do), so they must turn to outside consultants to keep from being in violation.

"In addition to that expense, we have to designate part of our staff people – about 10% of our purchasing department's time – to gathering information for the consultants so they can file the appropriate reports and things like that. So we have two aspects of (compliance) that don't lead to anything productive."

Schlosser says small businesses are also impacted in other ways that a mid-size or large company simply aren't.

Case in point: the impact the Family Medical Leave Act has on the Marshall County factory.

"An individual can come to work at 8:00 and then announce without any advance notice that, 'Oh, I've got to take my son Johnny to the doctor and am going to be gone for two hours.' And essentially, you have to make provisions for that," Schlosser begins.

"If we've got a ladle of hot iron and a guy has to leave, well what are we going to do with that ladle of hot iron? If you have a couple hundred people and someone does that, then you can have someone else you can slip into that (job), but when you have 51 people, as we do, and someone leaves like that, then that's 2% of our workforce."

Perspective: automaker

Skyrocketing industrial electricity rates – to the tune of \$10 million annually with forecasts for more increases – are a major concern for Subaru Automotive in Lafayette.

And Easterday knows exactly what's the cause. "It's due to the regulatory burden placed on the providers of electricity, to either sequester the emissions or to limit the emissions through other types of process changes ... or via some equipment used to eliminate some of the emissions. So those costs get passed on to consumers."

Another sizable hit – termed a "Cadillac tax" – looms under the Affordable Care Act (ACA) for companies like Subaru with generous health plans.

"Basically the law says our health plan is too good for our associates. Therefore, they are going to tax us on 40% of the difference between what they consider what our plan should be and what our plan actually is. So we're going to get taxed possibly between \$8 million and \$10 million per year starting in 2018," Easterday laments.



At a 2012 press event, Congressman Todd Rokita (right) and Indiana Chamber President Kevin Brinegar discuss the success of Red Tape Rollback, a program to mitigate unnecessary federal regulations.

"It's amazing that something like that is still in the ACA; hopefully it will be dealt with."

Perspective: medical manufacturer

For Zimmer, the medical device maker in Warsaw, the ACA has already brought on one giant-sized headache. It's the medical device tax that is costing the company \$50 million per year.

"Since we are a public company compelled to return the same kind of results to our shareholders, then we've got to find a way to reduce \$50 million of annual expenses. Unfortunately, that comes in tough choices about where and how we employ people to do work and what other things we have to trim back to make up that \$50 million," reports Matt Monaghan, vice president and general manager for Zimmer's hips division.

He also relays how the tax is an accounting nightmare. "It's collected on a semi-monthly basis. I don't know anyone personally or professionally who does financial analysis or book closings like that. Semi-monthly is just over the top in terms of complexity."

"This is a drop in the bucket in terms of funding the ACA. But it has a very acute detrimental impact (for the companies it affects), with no clear benefit broadly," Monaghan reiterates. "And we view that as an imbalance in policy."

What can be done?

Several members of Indiana's congressional delegation – led by Reps. Todd Rokita and Todd Young – have aggressively sought to curb the increasing government oversight.

Last year, Young introduced the

Regulations from the Executive in Need of Scrutiny (REINS) Act, which would require Congress to vote before any major regulation can be imposed. The REINS Act passed the House, but the Senate has taken no action.

"By requiring a vote from Congress before major regulations could take effect, we would ensure that Americans can hold their elected officials accountable for overly-burdensome regulations that resulted from legislation we passed in the first place," Young maintains. "Additionally, it would remove the incentive for Congress to rush through legislation that punts on the tough issues because the tough issues are coming back to us for a vote anyway."

In 2011, Rokita, in partnership with the Indiana Chamber, unveiled the Red Tape Rollback program to identify and rollback unnecessary and overly burdensome federal regulations that kill jobs and hurt the economy.

Red Tape Rollback has achieved 33 victories that include repealing, delaying and amending regulations.

It's obviously a continuing battle. "Efficiency will always have its detractors and there are a lot of entrenched special interests in Washington that have no desire to return to smaller, more efficient government," Rokita declares.

"When Washington bureaucrats are challenged on many of their regulations, they can't defend them because they simply do not make sense or do more harm than good. By fighting them and exposing them, we make headway against the regulatory state."

RESOURCES: Congressman Todd Rokita at rokita.house.gov | Congressman Todd Young at toddyoung.house.gov | Sam Schlosser, Plymouth Foundry, at www.plymouthfoundry.com | Tom Easterday, Subaru of Indiana Automotive, at www.subaru-sia.com | Ron Christian, Vectren, at www.vectren.com | Matt Monaghan, Zimmer, at www.zimmer.com