

Testimony of
Tom DeWitt
President and CEO
Swanson Industries Inc.
Before the
United States House of Representatives
Committee on Natural Resources

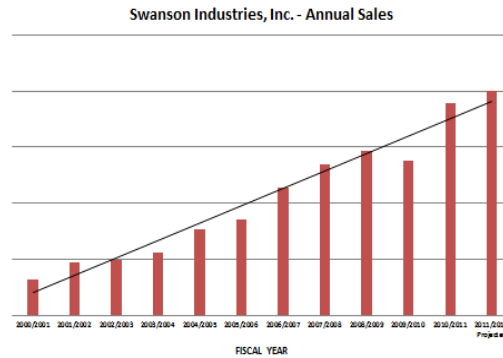
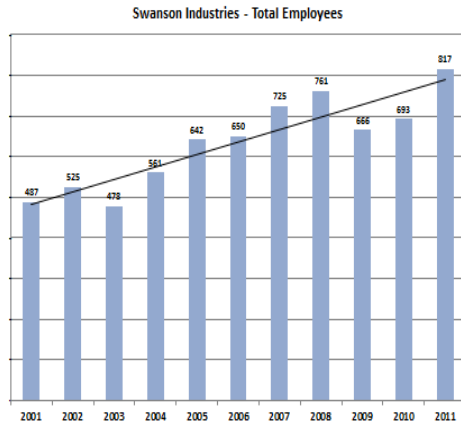
*Creating American Jobs by Harnessing Our Resources:
Domestic Mining Opportunities and Hurdles*

September 14, 2011

Good morning. I am Tom DeWitt, president and chief executive officer of Swanson Industries. While Swanson is a member of the National Mining Association, I am here testifying on behalf of our company Swanson Industries and on behalf of our employees. I am providing the perspective of a supplier to the mining industry on our role in job creation. A private company founded in 1964 to provide industrial and hard chrome plating services to the hydraulic cylinder manufacturing industry, Swanson Industries has grown to provide an array of products and services for several industries such as fluid power, construction and mining, drilling, wood and paper processing, nuclear, and others. Swanson has six operating companies: Swanson Plating Company, Morgantown Machine & Hydraulics, Mid-Atlantic Manufacturing & Hydraulics, Morgantown Technical Services, and Laser Processing, Inc. We are headquartered in West Virginia with facilities there, as well as Pennsylvania, Virginia, Ohio, Wyoming and Utah.

Related to the mining industry, Swanson Industries provides comprehensive products and services including new products, repair and remanufacturing on most product lines, and the resurfacing or "laser cladding" of new or used equipment with stainless steel or nickel or cobalt-based alloys. New products include hydraulic supports, monorail systems, piping and coupling products, specialized drilling supplies including drill heads, air tools and components, high pressure pumps and pumping stations, and distribution of general mining supplies. In the repair and remanufacturing area, Swanson provides services for longwall roof supports, underground coal mining equipment, hydraulic pumps, motors and valves and hydraulic cylinders for the offshore drilling industry. Well over 50% of our business is remanufacturing or repair of mining equipment. While most do not realize it, those are "green jobs" as our job is to re-use the steel and energy that went into making that product the first time rather than having to spend all the energy and resources needed to make a new replacement product.

In many ways my testimony and Swanson's job story echoes the NMA testimony. Not surprising, increased demand for coal and minerals translates into increased demand for our mining line's products. During the last decade, as unemployment increased in every state where Swanson does business and nationally, Swanson grew its employment by 67 percent. We had corresponding growth in annual sales. Like many American companies we dipped two years ago but that was because our customers worked off their existing inventories, not because the need for our products and services decreased.



Today, Swanson employs over 800 people, up from just under 500 ten years ago and from under 200 the ten years before that. We provide good paying manufacturing based jobs. Our employees are skilled tradesmen and women. Our WV employees' average earnings last year were approximately \$44,680, while the average wage in WV for all industries is \$42,910. And to emphasize what our jobs business does for the economy and not for our business owners, the average I gave you excludes the wages paid to the five very active partners of our business. We provide excellent benefits as well: 8 paid holidays, up to 4 weeks paid vacation, paid personal days, a defined benefit pension plan and a 401k retirement plan with a 15% match on the employee's contribution, and we provide employee and family medical insurance coverage at an average annual cost for \$13,610 per participant, with our company paying approximately 75% of that cost.

Due to the shortage of skilled workers, we hire many of the relatively unskilled and train them ourselves to become machinists, welders, and mechanics. These are skills that allow our people to be able to find work elsewhere if they happen to move away. Our employees are recruited by others due to the skills we teach them.

The high-paying jobs offered by Swanson are just one way we contribute to the economy. We generate other economic activity through taxes at the federal, state and local levels, including income taxes on company profits and employee wages, and property taxes and through the services and products we purchase from the businesses around us. Other than the accelerated depreciation we do not have any fancy "corporate" tax breaks and we do not have any corporate jets. In short, due primarily to mining, we provide exactly the type of good jobs that America needs.

Further, Swanson prides itself on being a good neighbor to our local communities. We support local charities, including the Boy Scouts, Relay for Life, cancer research, volunteer fire departments, the local Metropolitan Theatre restoration, and we contribute to West Virginia University.

We at Swanson are proud of our accomplishments, very proud of our employees, and very proud of our ability to continue to grow our company in these tough economic times. The needs of mining industry formed our company starting back in 1964 and the mining industry is the reason we have grown significantly. Swanson, however, could be doing more. The biggest hurdle we face is the regulatory uncertainty. As our destiny is tied to our customers, the regulatory uncertainties that prevent the mining industry from fully realizing its economic potential hold us back as well. No better example exists that the decisions I and my partners are struggling with right now. Each of our company general managers submitted to us two weeks ago their capital expenditure requests that total in excess of \$6 million dollars. Every facility we have is busy and we need to expand. But, with the attacks on the mining industry, for example the Corps/EPA permit moratorium in Appalachia, and with the other regulatory uncertainty that our customers face, and with the regulatory uncertainty that we ourselves face from the EPA, the NLRB, and Washington, DC in general, we are very reluctant to put additional capital at risk by investing to grow our business. We have a very real fear our customers will see their businesses stall, or even shrink, or that our own costs will increase to the point that our investment does not provide an adequate return.

In 2010 the head of Richmond Area Federal Reserve Bank came to Morgantown for a roundtable discussion. Their primary reason was to learn what they might do to make credit available to local businesses so they could grow their businesses. When asked, I told them credit was not my problem. We have banks wanting to lend us money. As much as you may not want to hear this, or believe this, my problems were then, and still are now, the attacks on business from Washington, the demands for more and more regulation, the failure to recognize and remove bad existing regulations, the failure to promote the use of resources within the USA, and the government's excessive debt. These were and are the reasons we were fearful of borrowing the capital to grow our business and create the jobs that go with that growth.

In closing let me say that, yes, our company is dependent on and supportive of the mining industry. Our growth depends upon its growth and thus it is natural for you to feel that my testimony is biased. But let me give you something to think about; something that relates to you. I ask you that, just for today, every time your hands or your feet or that part of your body that touches the chair you are now sitting in touches something; every time you touch something today, I challenge you to find something you touch that did not result from being mined or harvested from the earth or result from being grown. And, if it wasn't grown, then figure out for yourself where it's going to come from if we don't harvest it from the earth. For us to create jobs in America we've first got to create jobs in mining, drilling, and agriculture. I sincerely thank you for the opportunity to speak before you.