

June 20, 2006

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Dennis Hastert
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Democratic Leader
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Nancy Pelosi
Democratic Leader
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Hastert, Leader Frist, Democratic Leader Reid and Democratic Leader Pelosi:

As members of the National Association of Manufacturers' Board of Directors, we strongly urge you to act as soon as possible to seamlessly extend and strengthen the R&D tax credit. Since the credit expired at the end of 2005, the cost of R&D has increased for the nearly 16,000 companies of all sizes that use the credit, including many NAM members.

The important role of R&D and technology investment in the growth of U.S. jobs and innovation cannot be overstated. The manufacturing sector continues to lead private industry in R&D — nearly 60 percent of all private industrial R&D in the United States is performed by manufacturers. For more than 20 years, the R&D credit has been a proven incentive to spur incremental R&D in the United States that would otherwise not be done, with benefits spilling over to U.S. workers in terms of higher wages and a higher standard of living.

Without incentives to encourage R&D, our economy's innovation and competitiveness is threatened. Many of our economic competitors, including Canada, Ireland, China and France, are actively courting U.S. R&D activity with a variety of more generous and permanent incentives. In 2003, foreign-based R&D spending grew faster than U.S.-based R&D spending. The current lapsed R&D credit in the United States, coupled with strong incentives in other countries, are factors in the current trend of increasing foreign-based R&D spending.

We are pleased that there is bipartisan support in both chambers to strengthen and extend the credit in the short term. Moreover, there is strong bipartisan support in Congress and in the Administration to make the credit permanent. Because of the importance of this incentive as a lifeline to innovation and technological advancements, we urge you to act quickly to strengthen and extend this critical tax provision.

Sincerely,

Jay Bender
President
Falcon Plastics, Inc.

Dennis C. Cuneo
Senior Vice President
Toyota Motor North America, Inc.

William H. Downey
President and Chief Executive Officer
Kansas City Power & Light Company

Russell M. Flaum
Executive Vice President
Illinois Tool Works Inc.

James W. Griffith
President and Chief Executive Officer
The Timken Company

Stephanie Harkness
Chairman/Chief Executive Officer
Pacific Plastics & Engineering

William V. Hickey
President and Chief Executive Officer
Sealed Air Corporation

Kellie Johnson
President
ACE Clearwater Enterprises

W. Kirk Liddell
Chairman, President & CEO
Irex Corporation

Larry Nichols
Chairman & Chief Executive Officer
Devon Energy Corporation

Robert J. Ratliff
Chairman of the Board
AGCO Corporation

John Engler
President and Chief Executive Officer
National Association of Manufacturers

John Hofmeister
President, Country Chair & SVP, Corp.
Affairs
Shell Oil Company

Kendig K. Kneen
Chief Executive Officer/Owner
Al-jon, Inc.

John A. Luke
Chairman & Chief Executive Officer
MeadWestvaco Corporation

Steve D. Pryor
President
ExxonMobil Refining & Supply Co.

W. Fletcher Steele
President
Pine Hall Brick Co., Inc.