



## Final Transcript

### **BUSINESS ROUNDTABLE: The 2<sup>nd</sup> Quarter CEO Survey Call**

June 8, 2015/2:00 p.m. EDT

#### **SPEAKERS**

John Engler  
Randall Stephenson

#### **PRESENTATION**

Moderator                   Ladies and gentlemen, thank you for joining the Business Roundtable Briefing on its Second Quarter 2015 CEO Economic Outlook Survey. All telephone participants will be in a listen-only mode until the question and answer session begins. This conference call is being recorded.

(Operator instructions.)

At this time, we'll turn the conference call over to President of the Business Roundtable, Mr. John Engler. Please go ahead, sir.

J. Engler                      Thank you very much for that. Good afternoon, everyone. I want to thank everyone for joining us for the release of our Second Quarter 2015 Economic Outlook Survey Results.

Our chairman, Randall Stephenson, the Chairman/CEO of AT&T, as well as Chairman of this Business Roundtable is going to provide an overview of the results of this survey, talk about some of the near-term challenges facing the US economy. Then he'll take questions, and I can possibly join in at that point.

But, let me just turn it over to Randall, we'll move this right along since it is two o'clock. Thank you.

R. Stephenson                Thank you, governor. I appreciate everybody joining us. As you know, the CEO Economic Outlook Index provides a picture of the future direction of the US economy. It's based upon CEO's projections for sales, plans for capital spending, and hiring for the next six months.

The index declined in the second quarter of 2015 to 81.3 and that's from 90.8 in the first quarter, with CEO expectations for sales falling to their lowest level since 2012. It's not surprising that plans for capital

investment and hiring also declined, and they dropped to their lowest level since March of 2013. This tracks with what we saw in the most recent actual results from the regular non-residential fixed investment. That fell 2.8% in the first quarter, and that's the first quarterly decline now in four years.

The CEO expectations of GDP growth for the year decreased to 2.5%, and that's down from 2.8% growth that was projected in the first quarter. It's important to note that the survey was conducted prior to the Commerce Department's recently released first quarter GDP downward revision to a negative 0.7%, a contraction of 0.9% from their [indiscernible], and so, I'll just take a second to try to put this into context.

And, as I've said in previous meetings with you, that these results are consistent with an economy that continues to operate well below its full potential. In fact, industrial production has now recorded five straight months of declines. Virtually all measures of capital goods and investment spending have been weak, and we view that as a concern. So, let's look at what the policy implications are to this.

This quarter's index suggests a slow economic start to the second half 2015. Obviously, a strengthening dollar and ongoing weak growth abroad have taken their toll on the US economy. But we still have an ongoing problem in the United States, and that is that public policy does not support increased business investment or increased hiring or expansion. First enacting trade promotion authority is an important positive step, and we are encouraged by the recent Senate approval. We're working closely with both Republicans and Democrats in the House of Representatives to ensure that the bill is passed and sent to the president's desk. There's strong support out there from the American people.

In fact, according to a recent *Wall Street Journal*, NBC, and *Reuters* polls, a majority of Americans support trade, and they believe that it's good for the United States. We received enthusiastic support from the countless small- and medium-sized enterprises that constitute the extensive supply chains of all of our member companies. In passing, TPA would send a very strong message that the government can overcome partisan differences, and move aggressively toward the next big thing to stimulate economic growth, that obviously being tax reform.

Absent [indiscernible] ability to get tax reform, it needs to at least move into extension of the tax provisions that expired at the end of 2014. So all of us are making our voices heard on Capitol Hill. Our efforts in support of trade legislation represent, undoubtedly, the most intense outreach to policymakers in the past several years. So with that, the governor and I'll be glad to hear your questions. Operator?

Moderator Thank you. (Operator instructions.) Our first question will come from Jim Puzzanghera with *Los Angeles Times*. Please go ahead.

J. Puzzanghera Hi, thanks. Given what were your expectations are for the economy right now and the weak first quarter, what are you expecting from the Federal Reserve? When do you think they might raise interest rates, and what impact will that have, do you think, on the economy?

R. Stephenson I did not add on American payroll, and I probably would not bet on what the Fed is going to do with interest rates. I really have no clue. I would tell you that as we look at what could transpire in the second half of this year that would have the biggest impact on economic growth and set us on a different plane, it would be what I just referenced. And, that is get this

trade promotion authority done so that we could get a Trans-Pacific deal done in the Asian countries.

I would also suggest that any kind of indication of moving tax reform would send a really, really strong positive signal. But right now, we seem to be just range bound in this 2%, 2.5% GDP growth. It looks highly improbable that we'll do any better than 2.5% for this year given the weak first quarter that we saw. And so if there were ever any impetus to getting these two things moving forward, I can't think of anything more indicative than a weak economic profile the first quarter.

J. Puzzanghera      Would a Fed interest rate increase be a problem? I mean, do you think they should hold off on raising interest rates given that the economy is still fairly weak in terms of growth?

R. Stephenson      I'm not going to speculate on it. I don't even know how to address what the Fed's likely to do. They're looking at a lot of these factors, just like all of us are, and so I really have no clue what they're going to do, and I don't want to speculate on it.

J. Puzzanghera      Okay.

Moderator            Thank you. Our next question queue will come from Doug Palmer with *Politico*. Please go ahead.

D. Palmer            Hi. I just wondered what you all are hearing from Republican leaders, if anything. I mean, does it look to you like there's going to be a vote this week on TPA, and could you talk a little bit more about what you're doing right now on Capitol Hill to try to shore up support for the legislation?

R. Stephenson        Yes. Hi, John. I'll start with the second part of the question first. I would say I have not seen the BRT this activated on an issue in my tenure with the BRT. Since we began this process, there've been more than 153,000 letters of support from all of our coalition members and employees and all of our member offices. There've been 146 coalition opinion pieces put out since February. There've been over 50,000 constituent calls, letters, and e-mails sent to member offices. More than 850 personal meetings, 250 coalition facilitated meetings. I can go on and on.

This has been an all-out full court press by the members of the BRT, to try to emphasize and demonstrate the importance of this to economic growth and job creation in the United States. So, working directly with leaders,

Congress tried to provide the support needed to give comfort on passing this has been our number one priority. The Republican leadership seems to be aligned on this. We are hopeful that they're aligned, we're hopeful that there will be a vote very, very soon. But the Democrats are going to be required to pass this, we'll get on board as well. The president is very well aligned on this, and in fact I would say the president has been remarkably active in pressing members of his party to engage and move forward on this. So, we're optimistic that something's going to get done on this in short order.

D. Palmer                      Okay.

Moderator                      (Operator instructions.)

J. Engler                      While they're queuing up on this [indiscernible] adding on a little bit on the last answer. We're also gratified [audio disruption] done a very good job or a very effective job of one-on-one explaining actually what happens with the trade promotion authority process. We've got so many new members in the House that never voted on this that that education process has taken awhile. But, we had a very good week last week. It's starting off to be a good week this week and we think it's down. Yet, what is



happening now, it's literally one-by-one office, district-by-district [indiscernible] and try to close up the remaining undecided votes. There's still some there. But we expect to succeed.

Moderator Thank you. Our next question in queue will come from Eric Garcia with *National Journal*. Please go ahead.

E. Garcia Thank you very much, gentlemen, for joining. My main question is you said that you've been having one-on-one meetings with employees and the Republican leadership has lined up largely on this piece. You say that it'll still take support from Democrats. Do you find yourself mainly dealing with Republicans? Are they most receptive to it or are you talking with Democrats at all? If so, what work are you trying to do to try to get some Democrats—there are like 18 or so Democrats that are on the fence? What are you trying to do to get them to support it?

R. Stephenson Well, I was just going to tell you, [indiscernible] this is a full-court press. I would tell you we think it's not in anybody's interest to have partisan passage of this bill. We think it needs to be bipartisan in nature just like what we saw on the Senate bill. We think it's going to be really important to have bipartisan support of it, particularly when you go get

[indiscernible] and you have to bring it in to get support in Congress for the agreement itself. So it's not just one party, it's all parties as well as the president of United States working this, and so the efforts are going across the sector. Governor, if you'd like to add anything, go ahead.

J. Engler

I think you summed it up. The president and his team have been—we think this is probably the most effective bipartisan work that's taking place really, and this presidency in many respects is fully coordinated. They're working hard. We do have Democrat votes that we think are—truly have a number that have committed already. I think there are others that will commit, because they're recognizing that this allows the United States negotiator, Mr. Froman, [indiscernible] to go out and get the best possible deal, and that's in the nation's interest. The president deserves the opportunity that's been given to every other president. So, I think we're making headway and, as I say, we expect to win.

E. Garcia

Are you doing anything specifically for Democrats? I'm speaking specifically—

J. Engler

Well, sure. I mean you had bipartisan vote in the Senate. I expect the bipartisan vote in the House. I mean, we'd love to have everybody.

We're not going to get everybody. But we're going to get sufficient Democrats and sufficient Republicans to add up to a majority.

Moderator Thank you. Our next question in queue will come from Brett Fortnam with *Inside U.S. Trade*. Please go ahead.

B. Fortnam Hi, and thank you very much for taking my question. I was wondering, you mentioned that it's this full-court press. Are you worried that the fight over trade adjustment assistance and the offset of how to pay for that, could that possibly bring down this bill and is BRT addressing that issue in trying to garner votes for it?

R. Stephenson The BRT has been consistently supportive of TAA type support, and so it's going to have to be dealt with in the bill itself. But we continue to be supportive. We think it's important for it to have it.

B. Fortnam But, in terms of the offset with the Medicare paid for, is BRT addressing that issue?

J. Engler We'll leave it to the House to figure out how they pay for it. I mean, it's going to be one of those things they're going to have to work through

through the negotiations, but it's outside my pay grade to figure out how to pay for it. But we are supportive and it needs to be part of the bill.

Moderator Thank you very much. (Operator instructions.) Our next question will come from Jim McTague with *Barron's*. Please go ahead.

J. McTague Hi, it's Jim McTague from *Barron's*. The capex expenditures. Are these traditional expenditures or do you see something new in the allocation of money, be it for companies repositioning themselves for the tech age, or companies trying to thwart Chinese hacking. Is it something new or is it pretty much standard increase in capex?

R. Stephenson There are no surprises, Jim. Obviously, oil and gas is a big influencer of this, so that's not an inconsequential piece of it. But as you look across the board, whether it be investment on structures, investment on equipment, or intellectual property, all of them are sequentially running lower than we have seen in the past. But particularly on structures, it was way down. And, so on equipment, structures won't have to assume oil and gas, but an overriding driver of that. But, I would tell you when you look across the board, if you're somebody who is making big heavy machinery or equipment, I would say it was strong dollars having an

effect, and people are pulling in their investment spending plans as a result of that.

And it's not, I don't think it should be missed, that there is some aggressive regulatory activity and oversight that is happening that is causing most industries to slow down. I'm not saying pull back investment, but they're slowing down their business. It's slowing businesses down, which leads to a lower investment and we are an example of that at AT&T. So, there's a number of facets that are playing into people forecasting lower capex, but I don't think there are any surprises in any of it.

Moderator            Thank you. Our next question queue comes from Kate Ackley with *CQ Roll Call*. Please go ahead.

K. Ackley             Thanks so much for taking my question. Governor Engler, you said a minute ago that this lobbying campaign now for TPA is sort of down to one-on-one, district-by-district, to close out these remaining undecided votes? Could you talk a little bit about some of the states or districts that are at the top of your list or are the main focus as you close out this campaign?

R. Stephenson            Kate, I think governor is muted, he's off. John are you on? There you go, okay.

J. Engler                 Yes. Can you hear me? Okay, sorry. Maybe I was muted, I was trying to keep the background noise.

Kate, I said not to discuss [audio disruption] you would like. We've got specific targets, but you've been seeing a little stream of announcements of people, [indiscernible], he's got a nice piece in the *National Review* announcing his support. So, it's people that haven't publically committed, and really we have so many people that never faced this vote before. I guess you would say as a group, the people that haven't voted on TPA in the past would be a pretty high priority target for us.

Moderator                Thank you. Our next question in queue will come from Joel Lawler with the *Washington Examiner*. Please go ahead.

J. Lawler                 Thank you for taking my question. Regarding tax reform, I wanted to ask about Senate Majority Leader Mitch McConnell's comments this past weekend that comprehensive tax reform won't happen in this Congress. I

would ask you to react to that, and also if you could, to mention what other tax priorities you might have if the comprehensive reform is not a possibility this year or next. Thank you.

R. Stephenson

Yes. I think not passing tax reform this year is a mistake. I think it's a mistake as it relates to just getting some kind of economic stimulus moving forward. You just cannot sit here in this competitive environment with the highest tax rate in the developed world and think it's not going to have an impact on US economic growth. Now, if it doesn't happen to the second part of your question, then what?

We've been doing a band-aid for the last few years on these tax extenders. We passed things like bonus depreciation and R&D credits, because we have such an uncompetitive tax structure that we're doing things to try to band-aid, to hold the thing together and keep capital investment blowing even without tax reform. So we keep putting these band-aids on, saying we're going to get tax reform done so that those can indeed go away. I think we're going to get into the end of this year, and then we're going to have to evaluate, are we prepared to see all those extenders go away without line of sight to tax reform? And, so we're going to continue to

say, that if it's one or the other, either you get tax reform done or you continue to push the extenders so you can be competitive.

Then obviously outside of tax policy, there are other things you can do is you can pass trade promotion authority. It sends a clear signal that you can get bipartisan efforts done, and that this Congress can be functional and work with an administration to get some things done. I think it could provide some momentum to getting some level of tax reform done.

So, I think it's too early to declare defeat and snatch defeat out of the jaws of victory, when we have an opportunity to actually get something done this year before we get into an election season next year.

J. Engler

The only thing I would add to that is that, I'm not sure there was a lot new in what Senator McConnell—in comprehensive. I think the individual part of that has always thought to be very difficult because the administration's pretty clear, they're not willing to adjust the top individual rate. That has implications not only on individual families, but also on a pass through enterprises. So, that's still leaves open a pretty significant business tax reform, which could be very important in terms of job creation and that pursuit of getting GDP back above 3%.



I looked at Senator McConnell's statement reflecting, he's a good vote counter, of the reality of where we are without the president on that. But the president has said corporates too high; international system's a mess. He's also said it like tax reform to yield some money for infrastructure. At this point, nobody's has a solution for the highway trust fund yet.

Moderator

Thank you. (Operator instructions.) At this time, I'm showing no additional questions in queue, and this concludes the briefing. Please visit [www.visitsroundtable.org](http://www.visitsroundtable.org) for more information. Thank you.