



January 2017

impact

Historic Election Results Impact O-I

November's historic election results will have far reaching impact, extending to a number of policies concerning O-I. President-Elect Donald Trump's surprise win is expected to lead to profound changes in tax, trade and regulatory policy.

A number of Senate races were of keen interest to O-I. In all, nine of the ten O-I EGCF supported Senate candidates won their races. In Indiana, Congressman **Todd Young** won the open Senate seat by a wide margin and will come to Washington as part of a 52-48 Republican majority. Newly-elected Senators include California Attorney General **Kamala Harris** (D-CA) and Congresswoman **Tammy Duckworth** (D-IL). In other O-I states, Senators **Rob Portman** (R-OH), **Richard Burr** (R-NC), **James Lankford** (R-OK), **Pat Toomey** (R-PA), **Johnny Isakson** (R-GA), **Michael Bennet** (D-CO), **Ron Wyden** (D-OR) and **Charles Schumer** (D-NY) were among the re-election winners.

The O-I EGCF maximized resources on behalf of Senator Portman, who is an important member of the Senate Finance Committee, which will take up trade and tax issues in the new Congress. Senators Isakson, Schumer, Wyden, and **Roy Blunt** (R-MO), are also important on these issues and received significant support from the O-I EGCF.

In the House, all twenty-three O-I supported candidates won their races. Republicans hold the majority going into the new Congress by reduced but solid numbers. Congressmen **John Katko** (R-NY) and **Jeff Denham** (R-CA) were among the winners in closely contested seats. In other races where the O-I EGCF invested, Congressmen **Bob Latta** (R-OH), **Pat Tiberi** (R-OH), **Marcy Kaptur** (D-OH), **Jamie Herrera Beutler** (R-WA), **Ken Buck** (R-CO), **Ed Perlmutter** (D-CO), **John Lewis** (D-GA), **Bill Flores** (R-TX), and **Suzanne Bonamici** (D-OR) were among the re-election winners.

The calendar is moving fast, as the new Congress has already convened and President-Elect Trump is preparing to take office on January 20. With the control of the presidency and the Congress, Republicans will quickly take up many of the President-Elect's signature items, including trade rules and tariffs and a tax overhaul. With O-I's significant investments in Mexico and around the globe, and with customers importing to the U.S. from around the world, O-I will be looking to its congressional supporters to ensure that the new rules of the road for manufacturing treat O-I and our customers fairly.

O-I will be focused on ensuring that treatment of international income under the U.S. tax code does not penalize our company. O-I Government Affairs, working with our trade associations in the U.S. and Mexico, will also be looking to ensure that unnecessary barriers to trade do not disadvantage our ability to make efficient use of plant resources on behalf of customers.

Regulatory changes are also expected to be front and center. Changes at the U.S. EPA, Treasury and other agencies are expected to have far reaching consequences for O-I and other manufacturers. Details are still being fleshed out, but the Trump Administration is expected to take new approaches to environmental rules and compliance and a number of agencies are expected to re-visit rules adopted by the Obama Administration over the past several months.

Comprehensive Tax Reform — O-I's Top Legislative Priority

Speaker Paul Ryan (R-WI), has worked toward comprehensive tax reform for several years. Speaker Ryan and Congressman Kevin Brady (R-TX), Chairman of the House Ways and Means Committee, are working to have a complete legislative proposal in early 2017. The focus for tax reform is to encourage economic growth and to broaden the tax base.

In the Senate, Finance Committee Chairman Orrin Hatch (R-UT) appears to be looking at less dramatic corporate tax reforms that would also grow the economy. Finance Committee ranking member Ron Wyden (D-OR) is expected to work with Chairman Hatch on a number of tax proposals. With tax reform high on the Republican agenda, the Republicans in the House and Senate are expected to work with the White House to quickly move plans forward. A tax reform package is expected to be presented to the President as early as July 4.

A value added tax (VAT), which includes border adjustability, is a key component of House Republican plans. Briefly, border adjustability applies full taxation to products and services imported into the U.S. without deductions, and allows rebate of taxes for products and services exported from the U.S. Under World Trade Organization's rules, border adjustment of consumption taxes like a VAT is allowed. Other issues include international tax reform, taxes on intangible income, immediate expensing of capital costs and deductibility of corporate interest. O-I is coordinating closely with its trade associations and key customers, including Constellation Brands, Miller Coors, Beam-Suntory, Gallo, and Heineken.

Successful Industry Resolution to Treasury 385 Rule

Earlier this year the U.S. Treasury proposed changes to IRC 385, a debt-equity rule that could negatively impact the way companies, like O-I, use and manage debt, conduct ordinary course of business transactions, and other accounting measures. When introduced, O-I coordinated closely with the National Association of Manufacturers (NAM) to lead an effort to secure changes to the rule.

With the leadership of **Andres Lopez**, **Jan Bertsch**, and **Scott Gedris**, and following many meetings and calls with U.S. Treasury, the Office of Management and Budget, Members of Congress and congressional tax staffers, a favorable resolution was achieved. Changes include: exemption of cash pooling operations, similar to O-I's cash pooling in Europe; delay of the effective date of documentation requirements until 2018; and exemption of many other ordinary course business transactions from the regulations.

THANK YOU TO OUR EGCF MEMBERS!

Thanks to your strong support, the O-I EGCF was able to significantly impact candidate campaigns important to O-I in 2016. Our increased activity comes on the heels of a very successful EGCF solicitation campaign and is evidenced by the list of new members noted on page 3 of this newsletter.

Our August 2016 membership drive yielded a 35% increase in members as well as a 35% annualized increase in contributions to the EGCF. While year-end numbers are still being finalized this amounts to over \$65,000 contributed by our members to the Fund, and allowed us to contribute a record \$87,650 to candidate campaigns.

We continue to offer opportunities for our members to participate through conference calls, briefings, emails and candidate visits and always welcome member involvement in EGCF activities.

Look for details on our successes and record-level campaign activity in our 2016 annual report.

STATE OF THE STATES

California Deposit Law Changes Blocked

Reform of California's deposit law is front and center for O-I. In 2016, a proposal led by some interest groups to "fast-track" a short-term fix to the state's recycling policy was launched. Senate Bill 842 was intended to provide assistance for retailers and recycling convenience zones to better collect post-consumer materials. This legislation included harmful language to the glass container industry that allowed the state to eliminate processing fee offsets that our industry enjoys due to its high-recycling rate. The glass industry swiftly responded and defeated the proposal. O-I anticipates that this issue will come up again in 2017, and will continue work with key customers like Sierra Nevada, Miller Coors, and Gallo to ensure new proposals treat the glass container industry fairly.

Ohio Unemployment Insurance Debt Fixed

The Ohio Manufacturers Association and the Ohio Chamber of Commerce worked with the state legislature to find a permanent solution for Ohio's unemployment insurance debt obligation to the federal government in 2016. The legislature passed and Governor Kasich signed a law paying off the state's debt to the federal government, a move supported by O-I. As a result, O-I could see a cost savings of more than \$200,000, but only if legislation is passed addressing long-term solvency of the unemployment insurance program by April 2017.

Oregon Sales Tax Defeated

Oregon Measure 97, which would have imposed an additional 2.5% gross receipts tax on corporations with more than \$25 million in revenue, was defeated with 59% of the vote in November. The impact on O-I would have been more than a \$1 million annual tax increase. If the measure had passed, Oregon's effort to grab revenue from outside its borders would have been attractive to other states.

Washington Carbon Tax Defeated

Washington State Initiative 732, the Carbon Emission Tax, was also defeated by a 59% margin in November. This tax would have imposed a \$15 a ton fee on all emissions of carbon dioxide in the state. As a result, cost of fuel would have increased by \$.25 cents, the cost of electricity by 5% and the cost of natural gas by 15%, as a result. Governor Jay Inslee and most newspapers came out against the initiative. O-I anticipates cap and trade legislation will be introduced in 2017.

Welcome to our Newest ECGF Members!

Stephen Barton, Windsor
Lauren Bedran, HQ
Jan Bertsch, HQ
Darlene Beshear, Waco
Jim Brownfield, Muskogee
Jerry Campos, Waco
Ginnette Clark, HQ
Benjamin, Daniel, HQ
Jason Edwards, HQ
Christine Fisher, HQ
Steve Forrester, HQ
Jeremy Gayer, Muskogee
Vikram Ghai, HQ
Danyal Harris, HQ
James Hewlett, Tracy
Jason Heyne, HQ
Freida James, Muskogee
Kristin Kelley, HQ
Tim Kohler, HQ
Ashley Kuns, HQ
Ronnie LaCrone, Muskogee
Laurie Lake, HQ
Thomas Lucero, Muskogee
Samuel Mason, Waco
Ronaldo Mathis, Miami
Erin McMackin, HQ
Tommy Miles, HQ
Spencer Nero, Muskogee
James Nester, HQ
Tina Opdycke, HQ
Mike Petrous, HQ
Angie Pitt, HQ
Chris Poling, HQ
Annette Prehn, HQ
Daniel Raetchi, HQ
Eric Rampenthal, Muskogee
Erica Reed, Muskogee
Fay Richardson, HQ
Sarah Salat, Muskogee
Richard Sawyer, Muskogee
Kevin Sprague, HQ
Reginal Stanton, Muskogee
Daniel Steele, Waco
James Stotler, Muskogee
Gary Szymanski, HQ
Pedro Tchmola, Portland
Ron Warnecke, Lapel
Anthony Williams, Waco
Bruce Williams, Tracy
Chris Williams, HQ