

ALERT

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 **CalChamber**
CALIFORNIA CHAMBER OF COMMERCE

Job Creator Legislation Passes Senate Committee



A California Chamber of Commerce-supported bill that ensures California

remains a competitive environment for an emerging multibillion-dollar industry passed the Senate Governance and Finance Committee on a unanimous vote this week.

A job creator bill, **AB 777 (Muratsuchi; D-Torrance)** updates the California tax code to include equipment used for spaceflight transportation within the business inventory exemption. It is consistent with the goals of CalChamber's *2014 Solutions for a Strong California*.

Innovation

California has long been the home of the world's most advanced aeronautics and aerospace companies. Recently, this industry has seen innovation with the privatization of spaceflight transportation, which had historically been within the exclusive purview of the federal government.

This type of commercial space transportation currently delivers satellites into orbit and cargo to the international space station. This industry has the potential for future growth with the development of space tourism. To capture this growth, California needs to ensure its laws, including the tax code, keep pace with innovation.

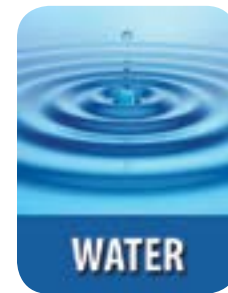
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In-Depth Discussion of California Drought Examines State/Regional Economic Impacts



CalChamber President and CEO Allan Zarembert (center) moderates the discussion with water policy experts Dave Puglia of Western Growers and Ellen Hanak of the Public Policy Institute of California. *See Page 5.*

CalChamber Advocates Better Water Storage Options



Legislation to repeal the existing 2014 water bond and replace it with a \$6.5 billion water bond with limited storage funds that must be appropriated by the Legislature continues to

advance in the Legislature.

Inadequate Funding

The CalChamber supported the 2009 water package, which included an \$11.14 billion water bond, and continues to emphasize that while current economics require a smaller bond to have a better chance at succeeding, the storage amount of \$1 billion is not adequate—the \$3 billion in the original bond was barely adequate.

“It is essential to get new storage built as expeditiously as possible,” CalChamber Policy Advocate Valerie Nera stated in letters to the Senate committees considering the bill, **SB 848 (Wolk; D-Davis)**.

“Current infrastructure and facilities are unable to capture excess water in wet years to hedge against dry years. Much-needed water flows out the gates to the ocean while many communities struggle with shortages. New storage is imperative to provide relief for environmental issues and workability for current water system operations,” Nera said.

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Labor Law Corner

How Leave Laws Apply to Employee's Care for Pregnant Daughter



Sunny Lee
HR Adviser

My employee is requesting Family Medical Leave Act (FMLA) leave to care for her daughter who is pregnant. Is she entitled to FMLA leave? If FMLA is not required to be provided, can she claim any other protection, such as paid family leave, that would require us to grant additional time off work for this purpose?

An employee may take FMLA leave

for a serious health condition involving the employee's child, provided that the child is a minor (under 18 years of age) or an adult (18 or older) incapable of self-care due to a permanent mental or physical disability. California follows the same definition of what constitutes a child under the California Family Rights Act (CFRA).

If the employee is not eligible to take FMLA/CFRA because her child does not meet this definition, there may be other protections that the employee may have, depending upon the policies or practices that your organization may have in place.

Kin Care

If your company has a sick leave or a paid time off (PTO) policy, an employee is eligible by state law to use half of his/her accrual rate to care for a child, parent, spouse or domestic partner. This law does not exclude children that are over 18, as the FMLA does. If the employee has available sick or PTO, he/she could take this time subject to your company's sick leave policy and accrual.

Although some companies limit

employee use of sick/PTO available to care for family members to what the law requires, others may allow the employee to take whatever amount of sick leave/PTO the employee has accrued for his/her own illness or that of an eligible family member.

If your company does have a sick leave/PTO policy, then time off to care for a serious health condition of the child would be required by the kin care law, even if you had not provided for the care of a child in your own sick leave/PTO policy.

Personal Leave

Some companies have provided personal leave for employee use in the event of an emergency or family issue. Most personal leaves are discretionary as to whether the company would grant a personal leave and the decision is based upon the business needs of the organization at the time of request.

For example, if your company already has people off work on vacation, out sick, or on a leave of absence, then your com-

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CalChamber-Sponsored Seminars/Trade Shows

More information: calchamber.com/events.

Labor Law

HR Boot Camp. CalChamber. March 5, Long Beach; April 10, Fresno; May 1, Sacramento; June 10, Santa Clara. (800) 331-8877.

Responsible Sourcing Summit. UL. March 5-6, San Francisco. (310) 215-0554.

International Trade

NAFTA at Twenty. University of Southern California (USC) and Institute of the Americas. March 5, Los Angeles. (858) 453-5560.

Trade and Investment Mission to Morocco. National U.S. Arab Chamber. March 9-15, Morocco. (202) 289-5920.

Indonesia International Furniture Expo 2014. Indonesian Trade Promotion Center Los Angeles. March 11-14, Jakarta, Indonesia. (213) 387-7041.

Annual Gala. Korean American Chamber of Commerce Los Angeles. March 19, Los Angeles. (213) 480-1115.

Offshore Technology Conference 2014.

Malaysia External Trade Development Corporation. March 25-26, Kuala Lumpur, Malaysia. (213) 892-9034.

Asia/Pacific Business Outlook Conference. University of Southern California. April 7-8, Los Angeles. (213) 740-7130.

World Trade Week Kickoff Breakfast. Los Angeles Area Chamber. May 2, Los Angeles. (213) 580-7569.

Consular Corps Luncheon. Northern California World Trade Center. May 21, Sacramento. (916) 321-9146.

China International Trade Mission and Expo. CalAsian Chamber of Commerce. May 22-June 1, Shanghai, China. (916) 446-7883.

China International Food Exhibition 2014. MEREBO Messe Marketing. May 27-29, Guangzhou, China.

The 15th Malaysia International Food and Beverage Trade Fair. Sphere Exhibits Malaysia Sdn Berhad and Mutiara Sigma (M) Sdn Bhd. June 19-21, Kuala Lumpur, Malaysia.



CalChamber Questions Need for Changes to State's Heat Illness Prevention Standard

California Chamber of Commerce Policy Advocate Marti Fisher joined Greater Bakersfield Chamber of Commerce President and CEO Cindy Pollard on her weekly broadcast, *Strictly Business*, this week to discuss California's heat illness prevention standard.

Employers Complying

The CalChamber, along with many local chambers of commerce and other representatives from the business community, have previously explained to the state Division of Occupational Safety and Health (Cal/OSHA) that the current standard is working and no changes are needed at this time.

"Any changes at all will make it harder for employers who have outdoor workers. At this time we're not sure why it's necessary to change the regulation now because it's working well; we haven't seen any proof or any data that support the need for any changes," Fisher told Pollard.

Cal/OSHA held an "advisory meeting" in July 2013 and on February 3, 2014 to hear public comments about whether changes to the heat illness standard are needed. During the July 2013 meeting, as well as on Pollard's show, Fisher commented, "Employers are showing that they understand the rules

more and more each year."

In fact, Cal/OSHA's own report showed similar findings, citing "steady progress" in increasing employer compliance with the heat illness prevention regulation. Citations are issued most frequently for shortcomings in the written heat illness prevention program or employee training, rather than providing water or access to water, according to information shared with the Cal/OSHA Advisory Committee on June 6, 2013.

Join the Coalition

The CalChamber is growing its coalition to oppose any burdensome changes to the heat illness prevention standard.

Contact heatillness@calchamber.com to join the coalition.

Heat Illness Regulations

Cal/OSHA implemented California's landmark regulations in July 2006 to protect outdoor employees from the effects of heat exposure. The regulations also mandated training for employees and supervisors on the prevention, symptoms and treatment of heat illness.

The regulations apply to all companies with employees working outdoors.

In addition to training, employers must provide potable drinking water, offer access to shade, and compile heat



View the heat illness prevention standard interview in the February 24 edition of *Strictly Business* at <http://youtu.be/pWh2f2iFyDg?t=4m13s>

illness prevention procedures, including employee training, in writing.

In 2010, the heat illness prevention standard was strengthened to include a high heat provision that must be implemented by five industries when temperatures reach 95 degrees. The procedures include supervising new employees, and reminding all employees throughout the shift to drink water.

The specified industries include: agriculture, construction, landscaping, oil and gas extraction, and transportation or delivery of agricultural products, construction material or other heavy materials.

All employers, however, are advised to take additional precautions during periods of high heat.

Staff Contact: Marti Fisher

Small Business Advocate Award: Nominations Due April 21

The California Chamber of Commerce is seeking nominations for its annual Small Business Advocate of the Year Award, which recognizes small business owners who have done an exceptional job with their local, state and national advocacy efforts on behalf of small businesses.

"The stories of past award winners show over and over again what a difference one person can make in the community," said Dave Kilby, CalChamber executive vice president, corporate affairs. "Submitting a nomination is the first step toward helping bring recognition to outstanding small business advocacy throughout the state."

Application

The application should include information regarding how the nominee has significantly contributed as an outstanding advocate for small business in any of the following ways:

- Held leadership role or worked on statewide ballot measures;
- Testified before state Legislature;
- Held leadership role or worked on local ballot measures;
- Represented chamber before local government;
- Active in federal legislation.

The application also should identify specific issues the nominee has worked

on or advocated during the year.

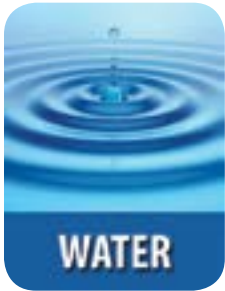
Additional required materials:

- Describe in approximately 300 words why nominee should be selected.
- News articles or other exhibitions as supporting materials.
- Letter of recommendation from local chamber of commerce president or chairman of the board.

Deadline

Nominations are due by April 21. The nomination form is available at www.calchamber.com/smallbusiness or may be requested from the Local Chamber Department at (916) 444-6670.

Drought Responses: Emergency Legislation, Analyst Reviews State Water Action Plan



The Governor and legislative leaders announced emergency legislation last week to help communities deal immediately with the drought and provide funds to increase local

water supplies. Two days later, the nonpartisan legislative analyst released a review of the administration's long-term plan for dealing with California's chronic water shortage and suggested options for the Legislature to respond to the drought.

Emergency Drought Relief

The emergency drought legislation, according to the Governor's office, provides \$687.4 million to support drought

relief, including money for housing and food for workers affected directly by the drought, bond funds for projects to help local communities more efficiently capture and manage water, and funding to secure emergency drinking water supplies for communities hurt by the drought.

The legislation also boosts funding for state and local conservation corps to help communities with efficiency upgrades and reduce fire fuels in fire risk areas, and includes \$1 million to enhance the Save Our Water campaign to promote public awareness of how to conserve water.

The bill calls for the California Department of Public Health to adopt new groundwater replenishment rules by July 1 and to work with the State Water Resources Control Board on additional measures to allow for using recycled water and capturing storm water to increase the availability of water.

The emergency package calls for expediting several proposals that were part of the Governor's January budget proposal.

Legislative Analyst Suggestions

Options the Legislative Analyst's Office suggested the Legislature consider to address the drought include:

- enable water transfers for communities facing shortages and offer emergency loans to fund those purchases;
- expand groundwater management and monitoring;
- establish a Delta levee assessment, potentially raising additional funds for levee maintenance;
- require changes to water pricing to encourage conservation;
- fund projects to reduce nitrates, the most common contaminant in groundwater that does not occur naturally.

Staff Contact: Valerie Nera

How Leave Laws Apply to Employee's Care for Pregnant Daughter

From Page 2

pany has discretion in deciding whether to grant a personal leave and for how long.

If however, the company has granted a personal leave to another employee in the same situation, then the company should follow its own past practice to prevent an employee from claiming discrimination if that employee's leave request is denied.

Paid Family Leave

Paid family leave (PFL) is a wage replacement benefit for employees who are on a leave from work to care for a close family member. This program does

not provide a right to a leave of absence.

The California Employment Development Department (EDD) administers this program, and an employee can receive wage replacement while on a leave from work after filing a claim with the EDD.

Although it is called "paid family leave," it is important to understand that it does not require an employer to grant time off work. Often, employees are confused as to what an employer is required to do because they construe the right to file a claim for a state benefit as a requirement on an employer to provide a leave of absence.

Be sure that you post the EDD poster which includes this benefit and that you provide employees with the PFL pamphlet upon a request for a leave of absence.

For further questions, please refer to the information on [HRCalifornia](#) or submit your question to the [Helpline](#).

The Labor Law Helpline is a service to California Chamber of Commerce preferred and executive members. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or submit your question at [www.hrcalifornia.com](#).

CalChamber Calendar

Business Services Committee:

March 6, Santa Monica

Fundraising Committee:

March 6, Santa Monica

Water Committee:

March 6, Santa Monica

Board of Directors:

March 6–7, Santa Monica

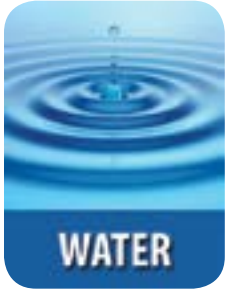


Advocacy Return on Investment

Split Roll Property Tax Stopped (AB 188) Saved **\$6 Billion**

\$25.96 Billion in Total Definable Return and **\$2,127** Return Per California Employee

CalChamber News Video Panelists Discuss Ramifications of California Drought



An in-depth discussion of issues stemming from California's historic drought is featured in the latest edition of CalChamber News.

In addition to CalChamber President and CEO Allan Zarembeg, the video includes perspective from two top water policy experts—Dave Puglia, senior vice president of Western Growers (WGA) and Ellen Hanak, senior fellow with the Public Policy Institute of California (PPIC).

Included in the video are comments on the statewide and regional economic implications of California's continuing

drought and discussions about both short- and long-term solutions.

Setting the context for the discussion, Zarembeg points out that in the 150 years of San Francisco's record keeping, "2013 was the driest calendar year on record."

Responding to a question about whether the drought is, in fact, a crisis, Puglia responds, "This is a crisis. Not just one of the worst, but the worst."

The long-term implications of climate change and future droughts on the agricultural economy are clear, Puglia says: "We now have a robust ag economy in California that is threatened by long-term insecurity of water supplies. There are millions of people in California whose livelihoods are tied solely to agriculture. If you take that away, they will have no other options."

Discussing the implications of low water supplies, Hanak says, "In the short term, if we don't get more rain, there will be some very difficult trade-offs."

She later adds, "We have some good lessons we can build on to help our economy be more resilient to the fact that we are going to have droughts in the future. We are getting better at handling these situations, but we need to keep getting better."

Staff Contact: Valerie Nera



See the video at calchamber.com/calchambernews.

CalChamber Advocates Better Water Storage Options

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Troubling Language

The CalChamber adds that the lack of the continuous appropriations language in the bill is troubling. A continuous appropriation of storage dollars provides more certainty that new storage projects will come on line more quickly. The criteria surrounding storage outlined in the bill creates more burdens for project proponents, some of which may be unattainable, thus slowing or stopping any meaningful storage projects from going forward.

Key Votes

• SB 848 passed the Senate Natural Resources and Water Committee on February 11, 6-0.

Ayes: Evans (D-Santa Rosa), Jackson (D-Santa Barbara), Lara (D-Bell Gardens), Monning (D-Carmel), Pavley (D-Agoura Hills), Wolk (D-Davis).

No Vote Recorded: Cannella (R-Ceres), Fuller (R-Bakersfield), Hueso (D-Logan Heights).

• The Senate Environmental Quality Committee voted 6-2 on February 19 to send the bill on to the Senate Governance and Finance Committee.

Ayes: Corbett (D-San Leandro), Hancock (D-Oakland), Hill (D-San Mateo), Jackson (D-Santa Barbara), Leno (D-San Francisco), Pavley (D-Agoura Hills).

Noes: Fuller (R-Bakersfield), T. Gaines (R-Rocklin).

• Senate Governance and Finance voted 5-2 on February 26 to send SB 848 on to the Senate Appropriations Committee:

Ayes: Beall (D-San Jose), DeSaulnier (D-Concord), Hernandez (D-West Covina), Liu (D-La Cañada Flintridge), Wolk (D-Davis).

Noes: Knight (R-Palmdale), Vidak (R-Hanford).

Staff Contact: Valerie Nera

Job Creator Legislation Passes Senate Policy Committee

From Page 1

AB 777 codifies a recent Board of Equalization (BOE) legal opinion that recognizes propulsion systems — rockets used for spaceflight transportation — fit within the business inventory exemption in the tax code. This issue stems from a recent decision by the Los Angeles County Assessor to tax propulsion systems as property that does not fit within the exemption.

In a well-reasoned opinion, the BOE found that these systems should qualify under the business inventory exemption when evaluated in the context of the policy that created the exemption and the heavily regulated nature of the spaceflight transportation industry.

Jobs/Investment

Not only does the spaceflight transportation industry create high-pay manu-

facturing and engineering jobs for thousands of Californians; it draws billions in investment and, when space tourism begins, will attract millions in tourism revenue. The growth of this industry is poised not only to be a potential economic shot in the arm, but also a new phase of California's innovative prowess.

AB 777 will be considered next by the Senate Appropriations Committee.

Staff Contact: Jeremy Merz

Legislative Outlook

An update on the status of key legislation affecting businesses. Visit www.calchambervotes.com for more information, sample letters and updates on other legislation. Staff contacts listed below can be reached at (916) 444-6670. Address correspondence to legislators at the State Capitol, Sacramento, CA 95814. Be sure to include your company name and location on all correspondence.

State Senator Tries Again on Failed Idea: California Oil Extraction Tax



OPPOSE

California Senator Noreen Evans (D-Santa Rosa) has resurrected her proposal to impose a 9.5% levy on oil production in California.

According to news reports, Evans' staff says the new tax would generate about \$2 billion in annual revenue. A similar bill she authored last year was placed on the California Chamber of Commerce "job killer" list and never moved out of the Senate.

In response to Evans' announcement of the oil severance tax bill, CalChamber President and CEO Allan Zaremberg said, "We just raised California taxes by \$7 billion a year for seven years. We now have a projected \$5 billion surplus.

"To create a new tax on oil only extracted in California will drive up the price of California oil, which constitutes about 40% of the California gasoline market. California's robust oil industry will be at a competitive disadvantage. This new tax will kill jobs and hurt local tax revenues. In addition, the bill would create an unaccountable, unnecessary and expensive bureaucracy. The proposal appears to con-

flict with Governor Brown's earlier comments in response to a question about taxing oil extracted in California."

Governor Edmund G. Brown Jr. has dismissed the idea of an oil severance tax when questioned about it by the media, saying, "I don't think this is the year for new taxes."

Californians already pay the highest gasoline taxes and the highest gas prices in the country. Evans' bill, **SB 1017**, with its \$2 billion a year oil tax will drive California gas prices up even higher.

The oil industry accounts for 15% of the total economic activity in the region. According to economic experts, the petroleum industry directly accounts for \$53 billion in gross state product (GSP) and 124,000 jobs in California. A tax increase of this magnitude would kill jobs and damage the state's economic recovery.

The bill designates 50% of the funds to be shared equally by the University of California, California State University and California Community College systems, 25% to health and human services and 25% to state parks.

Event Highlights Opportunities for Partnering with Japanese Firms

The California Chamber of Commerce served as a supporting organization for a recent symposium focusing on "Opportunities for Innovation: Getting More Involved with Japanese Business."

The Japan-U.S. Business and Technology Symposium was held in San Francisco earlier this month, and Susanne Stirling, CalChamber vice president of international affairs, was in attendance.

The event was hosted by the Japan External Organization (JETRO), a non-profit government-related organization that helps U.S. companies establish a Japan office and find Japanese business partners. JETRO also connects U.S. investors with Japanese ventures, and promotes Japanese goods.

Keynote

In his symposium keynote speech,



Director General Hidehiro Yokoo of the Ministry of Economy, Trade and Industry focused on the "Three Arrows of Abenomics"—a bold monetary policy; a flexible fiscal policy; and a growth strategy to energize private industry.

The third point includes regulatory reform, promoting economic partnerships (such as the Trans-Pacific Partnership) and supporting the advancement of women in the Japanese workforce.

Japan Top Trade Partner

California continues to be the top

exporting state to Japan, accounting for nearly 20% of total U.S. exports. Japan has remained California's fourth largest export market since 2010, after Mexico, Canada and China. California exports to Japan totaled \$12.7 billion in 2013. Computers and electronic products accounted for 22.9% of total exports.

California imports from Japan were \$38.4 billion, with transportation equipment accounting for more than half of total imports. California is currently the top importing state in the United States for products from Japan. In addition, California buys more products from Japan than any other country besides China.

For further information, please visit www.jetro.org and www.calchamber.com/japan.

Staff Contact: Susanne Stirling

Hong Kong Commissioner Touts Trade Opportunities for California Business

The Hong Kong commissioner to the United States, Clement C. M. Leung, JP, highlighted the numerous trade opportunities and advantages Hong Kong offers to California businesses at a California Chamber of Commerce international luncheon forum on February 6.

The event was attended by Assembly members Travis Allen (R-Huntington Beach), Brian Jones (R-Santee), and Sebastian Ridley-Thomas (D-Los Angeles); representatives from the Governor's Office of Business and Economic Development (GO-Biz); and representatives from the U.S. Department of Commerce and U.S. Commercial Service.

Leung introduced Hong Kong as a "place where the East meets the West," a launching pad both for U.S. businesses looking to enter the Asia market and for Chinese enterprises, which are venturing out onto the global stage.

Access Huge Population

Hong Kong is at the heart of a rapidly growing East Asia, giving the city economic and strategic importance. Within a five-hour flight, one can access half of the world's population in mainland China. This strategic role is why U.S. companies have flocked to the region, establishing more than 1,300 firms, Leung said.

"These companies look beyond the Hong Kong domestic market and utilize the city for the regional operations to serve the Asia Pacific, particularly the mainland," he said.

A burgeoning middle class and growth in affluent customers in China is having an impact on tourism and driving demand for luxury goods. For these customers, Hong Kong serves as a "shop window"—about 40 million mainland Chinese tourists visited the city in 2013, Leung said.

"The city has become an ideal showroom for overseas companies to raise the profile of their goods to an increasingly affluent and brand-conscious mainland middle-class," he said.

Wine Trading

One sector that is benefiting from the tastes of China's growing middle class is the wine industry, which is expected to see a 40% growth in sales in Hong Kong by 2017. In China, wine has become popular among the middle class, as it's considered to be "stylish," Leung said.

In February 2008, the city eliminated

Kong to see where it can expand market share.

The United States' share of the wine market is small, and California in particular has good wine products, Leung said.

"[California wine is] undervalued and the small percentage that you have in the regional market means that there is tremendous potential for growth," he said.

Hong Kong Economy

In addition to its prime location, Hong Kong remains a free port and has a free trade agreement with mainland China, the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). The trade agreement provides that all goods manufactured in Hong Kong, which meet the CEPA rules of origin, face zero tariffs upon being imported into mainland China.

In 2013, Hong Kong had a 4% increase in real gross domestic product and its jobless rate was at 3.2%.

The United States is Hong Kong's second largest trading partner (mainland China being its first largest trading partner) and is California's sixth-largest export destination, exporting approximately \$7.8 billion in 2012. Hong Kong's value of imports per capita from

the United States in 2012 was \$5,239, which is substantially above that of many U.S. major trading partners, including Mexico, Australia, Japan and the European Union.

More Information

Interested businesses may contact the *Hong Kong Economic and Trade Office* in San Francisco, (415) 835-9300, for more information.

The office represents Hong Kong on matters related to economy and trade in the United States, and helps foster trade and commercial ties between the two countries.

Information also is available at the CalChamber trading partner portal, www.calchamber.com/hongkong.

Staff Contact: Susanne Stirling



Clement C.M. Leung (left), Hong Kong commissioner to the U.S., and Margaret Wong, president and CEO of McWong International, and member of the CalChamber Board.

wine duties and saw total wine imports increase more than 180%—from \$367 million in 2008 to about \$1 billion in 2012. Wine sales in China reached \$40.5 billion in 2012, according to Euromonitor International. The United States is the fourth largest wine exporter to Hong Kong in terms of value and the third in terms of quantity. Compared with 2008, Hong Kong imports of U.S. wines increased by 264%, reaching nearly \$67 million in 2012.

In May 2010, Oregon and Washington each signed a Memorandum of Understanding on Cooperation in Wine-Related Businesses with Hong Kong. At the luncheon, Leung questioned why California is lagging behind "both its neighbors," and encouraged the California wine industry to take a closer look at Hong

Simplify your training requirements and reward supervisors with free coffee.

Regardless of company size, CalChamber recommends harassment prevention training for all supervisors and employees. Just ask any employer blindsided by a workplace harassment lawsuit—the costs are enormous. California requires companies with 50 or more employees to provide two hours of sexual harassment prevention training to all supervisors **within six months of hire or promotion**, and every two years thereafter. CalChamber's online training makes it easy to educate employees and meet your compliance requirements.



Get a **\$5 Starbucks eGift Card** for every California Harassment Prevention training seat you purchase by 03/14/14.

Use priority code HTST2. Preferred and Executive members receive their 20% discount in addition to this offer.



California courses for individual learning include **new legislation** clarifying that sexually harassing conduct does not need to be motivated by sexual desire.

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