

Presentation to the Joint Subcommittee Studying
Manufacturing Needs and the Future of Manufacturing in
Virginia (SJR 64)

Summary of Governor's Working Summit on Advancing Manufacturing
in Virginia

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Governor's Working Summit on Advancing Manufacturing in Virginia

Purpose: Bring together a select group of leaders from Virginia manufacturing, state government, and higher education to develop specific recommended actions targeted towards the sustainable growth and profitability of Virginia's manufacturing industry.

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Context and Premises

Importance of manufacturing to Virginia

- The manufacturing industry is a crucial part of Virginia's economy.
- Output from Virginia manufacturers accounts for almost 12% of our total gross state product.
- Virginia's approximately 6,000 manufacturing establishments employ 300,000 people, or close to 10% of all Virginia workers.
- Manufacturing companies pay higher wages than the statewide average.
- Significant research development and innovation occurs every day in Virginia's manufacturing community – contributing to the vibrancy of our economy.

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Context and Premises (cont.)

Challenges to manufacturing in Virginia

- Virginia's manufacturers are facing tremendous challenges - including fierce global competition, lower wage rates overseas, workforce issues, and rising fuel and health insurance costs, just to name a few.
- While there are certainly sectors of the industry that are experiencing job growth, Virginia has lost approximately 9,000 manufacturing jobs over the past year, and approximately 68,000 over the past five years.
- Increased productivity has been the reason for some of the job losses, but the numbers are still cause for concern, especially when Virginia's economy overall continues to outperform the rest of the country on job growth and unemployment.

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Context and Premises (cont.)

Premises

- Virginia manufacturers cannot compete in the global economy solely on the basis of low wage jobs and low cost manufacturing.
- While efficient cost structure will remain important, Virginia's manufacturers must compete on high value-added products and services for sustainable growth and profitability.
- Multiple stakeholders need to be involved in this effort, including manufacturers themselves, state government, and higher education.
- These multiple stakeholders working together toward a common goal can create a competitive advantage for Virginia manufacturing.

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Process

Core Planning Team

The planning for the Summit was a collaborative effort over several months among:

- Secretary of Commerce and Trade
- Virginia Manufacturers Association (VMA)
- Virginia Tech's economic development office
- Tech's Center for High Performance Manufacturing (CHPM)
- Virginia's Philpott Manufacturing Extension Partnership (VPMEP).

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Process (cont.)

Steering Committee

The Core Planning Team assembled in August a steering committee comprised of executives from a wide range of Virginia manufacturers from across Virginia to:

- Discuss and define the major issues impacting Virginia manufacturers
- Provide assistance in planning the agenda of the Summit.

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Process (cont.)

Anchor Issues

- Core planning team and steering committee identified three major Anchor Issues.
- Designed to optimize the time at the summit and move quickly to developing recommendations.
- The Anchor Issues were as follows:
 - Workforce Development
 - Technology Development and Deployment
 - Structural Costs and Infrastructure.

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Summit Participants

- Manufacturers
 - 35 representatives from Virginia manufacturing businesses
 - CEOs, presidents, and senior executives
 - Large and small enterprises
 - Across industry sectors
 - From all regions of the Commonwealth
- Higher education – VCCS, VA Tech, JMU, Center for High Performance Manufacturing, Manufacturing Technology Center, Virginia Electronic Commerce Technology Center
- State agencies and organizations – SOCT, VPMEP, VEDP, DBA, DOLI, VEC, CIT, Workforce Advisor, Division of Legislative Services
- VMA
- AFL-CIO

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Issue Summary

Workforce Development

- Workforce development is among the most important factors for recruiting new manufacturers as well as for existing manufacturers looking to expand in Virginia.
- A well-trained and equipped workforce is crucial to the competitiveness of Virginia manufacturers of all sizes.
- Virginia manufacturers need to constantly upgrade the skills of their existing workforce to keep pace with rapidly changing technology.
- Virginia manufacturers are finding it increasingly difficult to identify and recruit workers with the needed skills and qualifications.
- Aging manufacturing workforce is increasingly an issue.
- Workforce development issues are often compounded by the negative image of the manufacturing sector.

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Proposed Recommendations and Actions

Workforce Development

- Awareness and promotion of manufacturing as viable and desired career option
 - Ensure healthy “pipeline”
 - Collaboration between industry and K-12 system
 - Career Education Foundation
 - Career Pathways program
- Partnerships between manufacturers and community colleges
 - Career Pathways program
 - Best practices
 - Career Readiness Certificate
- Central Information Source

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Issue Summary

Structural Costs and Infrastructure

- Structural costs increasingly challenge manufacturers.
- Rising health care costs particularly impact the bottom line of manufacturers.
 - Smaller manufacturers have experienced even greater increases and have a higher cost per employee than do larger manufacturers.
- Locality-imposed machinery and tools tax negatively impact capital-intensive manufacturers, especially technology-rich enterprises. They are a tax on investment, and thus a disincentive to investment.
- Infrastructure – air, rail, road, water, broadband, and energy – will require continued, steady investment.

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Proposed Recommendations and Actions

Structural Costs and Infrastructure

- Manufacturing Day/Week/Month
 - Promote and inform
 - Legislative awareness
 - “Original wealth”
- Machine and Tool Tax
 - Encourage capital investment without harming revenue streams for local governments
 - How to address – rescind, tax credit, etc.
- Health Care costs
 - Propose state-wide summit
- Central Information Source
 - University resources and expertise

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Issue Summary

Technology Development and Deployment

- Competitive advantage for Virginia manufacturing increasingly depends on effective development and deployment of advanced technology.
- Manufacturers themselves are significant sources of R&D.
- There is widespread consensus that more can be done – through better collaboration among industry, higher education, and government.
- Virginia's higher education institutions can serve as partners to industry and provide resources for research and effective technology development and deployment.
- Mechanisms and resources to support technology deployment need improvement and intellectual property challenges exist.

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Proposed Recommendations and Actions

Technology Development and Deployment

- Long-term Strategic Plan for Manufacturing in Virginia
 - Develop Virginia as a world class point of excellence for manufacturing
 - Enhance Business/Academic/Government cooperation
 - Manufacturing Institute
- Central Information Source
 - University, state and other resources
- Align state incentives to reward technology investment

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Next Steps

- Continued engagement of Summit participants, especially industry, to ensure sustainability and momentum
 - Importance of industry collaboration
 - Regular progress reports from “action owners”
 - Continued Core Team
- Consideration of items for state action
 - Executive and administrative
 - Legislative and budget
 - Working Summit II