

Manufacturing Development Commission  
October 19, 2006  
Danville, Virginia

The second meeting of the Manufacturing Development Commission was held at the Institute for Advanced Learning and Research in Danville. Since its establishment in 2002, the Institute has worked to be a catalyst for economic transformation in the Southside region of Virginia. After welcoming the Commission to the Institute's facility, Executive Director Dr. Timothy Franklin briefed members on the Institute's goals and described several initiatives that served to invigorate the region's manufacturing sector. Specific programs of interest to the Commission include the Virginia Institute for Performance Engineering, the Joint Unmanned Systems Test, Experimentation & Research site program, and the biofuels pilot facility in Gretna.

Brett Vassey, President of the Virginia Manufacturers Association, provided a status report on the Governor's working group examining issues pertaining to the machinery and tools tax. Issues being studied include the taxing of idle equipment and the use of independent appraisals in valuing taxable machinery and tools.

Christine Simpson, Special Assistant to the Secretary of Commerce and Trade, briefed the Commission on the Governor's third annual Summit on Manufacturing. The Summit, convened on October 5 and 6 in Richmond, focused on skilled trades development. Ms. Simpson cited a recent finding by the National Association of Manufacturers that 81% of manufacturers surveyed identified finding qualified workers as their biggest problem.

Summit participants focused on the need to attract young people to manufacturing careers. There is a need to address the stigma associated with not attending college straight out of high school. Partnerships, including partnerships between manufacturers and schools, were identified as a means of solving this issue. A second priority identified at the Summit was marketing. Statewide branding to identify manufacturing as a viable career option, modeled on the "Dream It, Do It" campaign, is needed to persuade young Virginians that the high-tech manufacturing jobs of today's manufacturers offer high wages and other benefits. Slogans such as "Think Robotics, Not Wrenches" illustrate this paradigm shift.

Members identified a number of issues relating to the need to provide a quality workforce. Topics addressed included allowing the use of Tuition Assistance Grants to pay for non-credit courses, requiring that technical education be included in the Standards of Learning, expanding apprenticeship programs, and funding non-credit courses at community colleges.

Rob McClintock of the Virginia Economic Development Partnership presented a draft of the agency's plan, prepared pursuant to Senate Bill 417 (2006), to assist localities in diversifying their economies that are dependent upon facilities used for manufacturing purposes. The report calculated the direct and economic impact of manufacturing on the

Commonwealth at over one million jobs, \$172 billion in annual economic output (which is 23% of the gross state product), and \$6.3 billion in state and local tax revenue.

The VEDP's draft report identified a number of steps currently being implemented regarding the diversification of the economies of localities that are dependent on manufacturing. Recommendations of study participants include:

- Continue to investigate tax policies, including machinery and tools taxes that may impede further capital investment;
- Develop a data model that will aid localities' efforts to diversify their tax base and market to their strengths;
- Develop a model business retention plan;
- Establish a statewide campaign aimed at educating and attracting young people to manufacturing careers;
- Keep Virginia competitive with low energy costs;
- Seek additional resources for training gaps and retraining programs; and
- Expand high speed internet access in underserved areas.

Albert Eckel of Corning Corporation alerted the Commission to an issue that looms over the manufacturing sector: the risk that electricity rates will rise substantially, as they have in Maryland and Delaware, as a result of efforts to deregulate the state's electric utility industry. The scheduled expiration of capped rates in 2011 should be addressed sooner rather than later, he urged. He also criticized the system that requires manufacturers to install pollution abatement equipment and then subjects the equipment to property taxation.

Staff provided members with copies of JLARC's report on the impact of regulations on Virginia's manufacturing sector. JLARC staff will present the report at the Commission's next meeting on November 30. Other topics that may be addressed at that meeting include taxation of machinery and tools, workforce education, and a review of legislative proposals for the 2007 Session.