

▶ Virginia Industrial Innovation Strategy

Virginia Manufacturers Association

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Advanced technology industries, such as manufacturing, are essential to the United States of America and Virginia economies. The U.S. is still the world's largest manufacturing economy and manufactured goods represent over 80% of Virginia's total exports. Due to the global nature of manufacturing, the industry is susceptible to the increasing costs of energy, regulation and taxation. The U.S. and individual states must be vigilant in continually adopting competitive regulations in comparison to competing trading partners because of the mobility of the industry. U.S. manufacturers are also the most productive workers in the world, commanding higher average wages and benefits than the rest of the workforce. The intellectual capital of manufacturers is equally valuable. U.S. manufacturers perform half of all research and development (R&D) in the country - the total research and development of manufacturers is equivalent to the total R&D of the rest of the private sector, colleges and universities, the Federal government and R&D centers combined.

This means that the manufacturing sector's transformation from labor-intensive to technology-intensive continues to advance at an ever increasing pace. Therefore, the United States and the Commonwealth of Virginia must adapt to the continuously changing nature of advanced technology industries in order to glean the economic rewards they have to offer.

State-level Public Policy Priorities

Drawing upon the lessons of the last decade, specifically those of the 2009 U.S. recession, state public policies must focus on job creation. In order to spur job creation in the manufacturing sector, state public policies play an integral role in a number of key policy areas. Of course, these state-level strategies require coordination with a national and global focus that is the responsibility of Congress and the President. For purposes of clarity, the Virginia Industrial Innovation Strategy will focus exclusively on state-level strategies. Thus, it is recommended that the Commonwealth of Virginia's Executive and Legislative branches, as well as local governments, place a special emphasis on the following public policies:

Workforce Development policies must empower today's and tomorrow's workers, whether in school, recently dislocated or in the workforce, to acquire certified skills and competency-based assessments and credentials that meet employer demands and

create a world-class pipeline of competitive employees at the “technician” level of employment, while at the same time improving the industry’s image by educating community leaders and parents about the rewards of pursuing career pathways such as the Virginia Council on Advanced Technology Skills Career Pathway;

Right-to-Work policies must be protected and enhanced in the Commonwealth and any attempt to eliminate or weaken Virginia’s Right-to-Work statute, or eliminate the secret ballot voting process, as well as implementing any form of a “card check” system of voting for unionization, must be opposed;

Taxation policies must enhance economic growth and encourage productivity through technology investments and incentives – technology investments sustain jobs. Tax policies must lower the overall effective tax rate on manufacturers. In addition, those taxes that are paid regardless of a company’s profitability and regressive taxes that serve as a disincentive to technology investments, such as the machinery and tools tax, must be eliminated in order to insure that Virginia is a preferred location for domestic and international firms to expand and/or locate their factories and headquarters. State and local governments must also begin the difficult task of rationalizing the taxation of tangible products, intangibles and services to better reflect the current U.S. economy;

Fees for Services should be controlled as “unfunded mandates” on industry, measured as a part of an overall effective tax rate and not allowed to be altered without the same machinations required for other tax rate alterations. Fees should: (1) recover only a portion of an agency’s costs, (2) be collected for the purpose of more efficiently and expeditiously processing permits, applications, etc., (3) augment, not supplant or reduce, general funding of agencies, (4) have dollar amounts of the fees capped by statute, (5) not place existing or prospective industries at a competitive disadvantage with industries in competing states and countries, and (6) require regulatory agencies to be accountable to the General Assembly for their use of the fees and their effectiveness in processing permits, applications, etc.;

Environmental regulations must recognize the Commonwealth’s responsibility in maintaining efficient, lean, cost-effective and responsive state environmental agencies that result in the state administration of federally-delegated programs. These agencies and regulations should maintain an appropriate balance between environmental protection and economic development, be based on exemplary science, consider cost-benefit analysis and comparative risk assessments in the regulatory process, allow for flexible and performance-based approaches, and provide for innovations in public and private sector investments. These agencies and regulations must also address the comparable risks and rewards of eliminating pollutants from the

environment through the regulation of point sources and non-point sources equally. Finally, Virginia must eschew itself from attempts to impose environmental regulations more stringent than or in the absence of Federal regulations without a cogent demonstration of necessity;

Global warming regulations must be exclusively addressed at the Federal level. There is an inextricable linkage between environmental management and the making and moving of energy, products and people. As such, economic prosperity, environmental protection, business consumption and human health are interdependent necessities of the U.S. economy. Federal and state-administered EPA programs and policies to regulate the economy in order to slow or stop global warming should carefully balance these competing necessities through rigorous scientific and economic standards (see VMA Climate Change Policy). Any regulation that would impair the U.S. economy or lacks empirical and transparent measurement leading to broad scientifically validated reductions in global temperatures should be opposed;

Energy policies are essential to ensuring sustainable economic growth in manufacturing, with an emphasis on reliable supply at affordable prices, conservation, increased lighting and motor efficiency, strengthened infrastructure and investments in new technologies. In order to assure future energy supplies and national energy

independence, alternative energy sources must be developed along with traditional resources. The decision to develop energy alternatives, which are not market-competitive but are found to be in the public interest by policy-makers, should be supported through federal and state tax incentives or general fund appropriations to the extent necessary to render them cost competitive in voluntary energy markets. Virginia should reject renewable portfolio mandates and similar energy regulation mandates on the basis that they are inconsistent with Virginia's energy plan, create economic inefficiencies, and result in higher costs for consumers. Virginia should exploit its natural and technological assets in expanding energy derived from nuclear, coal, refined oil, natural gas, renewables (e.g., wind, landfill gas, sustainable biomass) and all offshore resources (e.g., oil, gas, wind and wave);

Facility security should be part of a comprehensive security network established through existing federal laws, standards and public-private partnerships. "Security" is defined as an action carried out to ensure or enhance the protection of a manufacturing facility, utilizing appropriate means to address personnel security, unauthorized access, perimeter security, and cyber-system threats. The Maritime Transportation Security Act, the Chemical Facilities Anti-Terrorism Standards, Title IV of the Bioterrorism Act, C-TPAT and other statutes require and authorize enforcement of

vulnerability assessments and security plans for certain private facilities. As facility security regulations are developed and revisions to current laws are considered, public policies should be based upon a comprehensive set of principles (see VMA Facility Security Policy, 2010);

Green manufacturing regulations should be left to the private market as a means of distinguishing products, services or companies. Green manufacturing is important to the manufacturing supply chain, which is defined as the network of retailers, distributors, transporters, storage facilities and suppliers that participate in the sale, delivery and production of a particular product without government intervention. “Green” is defined as some requirement to insure the sustainability of raw materials used in a product, carbon neutrality of the energy used to produce a product, a limitation on certain materials used in a product or its packaging or some other resource requirement that does not necessarily have a direct affect on the performance or quality of a product itself. Governments at all levels are increasingly interfering with the private market by promulgating regulations on specific products that may distort market forces and perpetuate inefficiencies in the private sector;

Health care and retirement system reforms must permanently improve the quality and affordability for employers and employees while lowering the anti-growth and costly

job-destroying burdens the regulatory controls governing these systems currently impose. These reforms must focus on efforts to remove the barriers that obstruct flexible insurance plans, remedy the fact that 22% of health insurance premiums are directly due to Virginia having more mandated health benefits than 45 states, and provide private sector influences in the insurance markets that draw a closer relationship between the health care provider and patient. Any regulatory system that continues to force employers into the relationship between a provider and patient will not foster the reforms necessary to begin to drive down costs and improve quality;

Transportation policy must allocate adequate resources toward commerce-based infrastructure so it is securely and competitively operated while valuing that technology and safety enforcement are integral to the multimodal transportation infrastructure that maintains Virginia’s industrial competitiveness in intrastate and interstate commerce;

Infrastructure modernization policies must prioritize the engagement of domestic manufacturing industries in the design, development and manufacturing of products procured as public assets. Infrastructure investments represent a substantial opportunity for domestic manufacturing in the areas of public transit systems, ports, energy delivery and generation, broad-band networks, road and rail transportation,

aviation, building construction and rehabilitation, water and sewer systems, communications systems and public safety;

Litigation efficiency reform will allow frivolous suits to be ended at summary judgment. The Commonwealth of Virginia is the only state that does not permit the use of depositions and certain other evidentiary material for summary judgment purposes. A motion for summary judgment to be supported by depositions, affidavits, pleadings, answers to interrogatories, admissions on file, and orders, if any, made at a pretrial conference is an essential legal reform;

Technology policy must preserve and enhance the U.S. lead in research and development. Technology policy should also promote innovation and assure the protection of private intellectual property as well as the engineering and advanced skills of University assets. Virginia must standardize its policies that enable private industry to engage University assets in private engineering and design work, as well as basic research and development.

Resolution

Now therefore be it resolved that the Virginia Manufacturers Association commits its energies and resources to a multi-year effort to advance this Virginia Industrial

Innovation Strategy with every member of our Congressional Delegation, the Virginia General Assembly, the Administration and other key officials dedicated to growing Virginia's domestic manufacturing base. We seek to involve our member companies and their workers in this effort to spread the manufacturing message in Washington, D.C., Virginia and around the country; and,

Be it further resolved that members of the Virginia Manufacturers Association renew our conviction that this Virginia Industrial Innovation Strategy is in the interest of 260,000+ manufacturing workers – the people who make things in America – the hundreds of thousands of employees in the service sector that are dependent upon a strong manufacturing base, their families, and in the broader interest of the United States and Virginia economies. Relying on a proven ability to innovate, a consistent commitment to quality and excellence in products and processes and a durable entrepreneurial spirit, modern manufacturers will do their part. We will demand the same of government.

Notes:

- 1) *The Virginia Industrial Innovation Strategy is adapted from the Virginia Strategy for Growth & Manufacturing Renewal, published in 2004 by the VMA and adopted by the Virginia General Assembly in 2004.*

- 2) *The Virginia Industrial Innovation Strategy incorporated studies conducted by VMA, the National Association of Manufacturers and other peer organizations.*



Virginia Manufacturers Association
830 East Main Street
Suite 2000
Richmond, Virginia 23219
804.643.7489
Thefuture@vamanufacturers.com

www.vamanufacturers.com
www.vmaoutreach.com
www.vcats.org
www.dreamitdoitvirginia.com
www.advancedtechnologyjobs.com
