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GENERAL ASSEMBLY: Key to manufacturing progress - low taxes, regs

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Editor's note: The following is one in a series of commissioned guest columns about the legislative session that starts

Jan. 11.

During the 2012 legislative session, the Virginia Manufacturers Association will be looking to the governor and General Assembly for leadership in four core policy areas: technology taxation; worker skills attainment; affordable and reliable energy; and regulatory compliance cost reform. The VMA's legislative agenda is strategically aimed at leading a renaissance of manufacturing growth and positioning the commonwealth as the best location in the United States for domestic investments, relocations and foreign direct investments.

The VMA's 2012 legislative agenda is rooted in the Virginia Industrial Innovation Strategy. This 14-point strategy that was developed by Virginia's manufacturers has helped provide guidance to the Governor's Commission on Economic Development and Job Creation as well as the Virginia Manufacturing Development Commission. Translating these policy priorities into effective legislation and initiatives that produce annual and measurable progress is the first priority of the VMA.

This year, the VMA has requested legislation to encourage technology investments in all sized manufacturers equally. After years of attempts to fully repeal the machinery and tools tax, the VMA has developed a new approach that preserves this important revenue stream to local governments. The Advanced Technology Investment Act will simply exempt the first three years of taxation on all machinery and tools put into service. These are the most critical years for a manufacturer to start a business or implement new production equipment. Since the investment does not currently exist, it takes no money from local government and gives the commonwealth a new incentive to help grow existing businesses and attract new ones.

One does not have to look any further than Isle of Wight County and Virginia Beach, which recently reduced and repealed their machinery tools taxes, respectively, to attract major manufacturing investments from Green Mountain Coffee and STIHL Inc. This legislation will be key to reversing over five years of declining

capital investments in the industry and lead the country in technology investments that will create and retain jobs.

Equally important to technology investments is the improvement in skills attainment for Virginians. The VMA is working with the legislature to improve work readiness skills attainment, career and technical education (CTE) and science, technology, engineering and math (STEM) credential attainment. The first step is for Virginia to implement a measurement system that rewards high schools for industry credential attainment as part of their state accreditation. The commonwealth must also begin the implementation of the Technical and Advanced Technical Diplomas. The last element of this work force skills attainment package is to improve the work readiness of communities and increase the number of people with career readiness certifications.

In our sector, the shift to technology-intensive manufacturing equipment, processes and people requires affordable and reliable energy. Virginia could lead the nation in a renewed interest in industrial cogeneration and combined heat and power investments.

Regulatory or economic incentives that keep energy prices affordable, while helping manufacturers to be more efficient, will produce dividends for the commonwealth. Of course, the legislature must also have new tools to evaluate the costs and benefits of proposed energy legislation. It is our hope that the legislature can develop an effective assessment of consumer impact for proposed energy mandates before legislation is ever passed.

Finally, the commonwealth is charged with protecting her natural resources. Faced with exponentially increasing air, water and waste regulations over the last decade, manufacturers have reduced pollution and improved the environment. Unfortunately, the government regulatory system does not always adapt to these new realities and the costs for existing and new regulations simply compound upon the manufacturer.

In 2007, the Joint Legislative Audit and Review Commission noted that Virginia manufacturers pay between \$606 million and \$1.72 billion annually to comply with environmental regulations alone. At the lower threshold, this is effectively a \$99,000 cost to each factory in Virginia — or five cents for every dollar spent on payroll. The sweeping effects of the new nutrient reduction costs for Virginia's industry and communities in the Chesapeake Bay Watershed are additionally worrisome. The VMA and peer organizations will be working to secure adequate funding for upgrading Virginia's wastewater treatment facilities as well as proper general fund support for regulatory agencies to improve their efficiency.

In closing, the VMA will be rolling out a new growth campaign, "Manufacturing Makes Virginia." The campaign will promote this aggressive legislative agenda and use multi-media tools to educate the public about the opportunities of the coming manufacturing renaissance. Our video, "Made in Virginia" is our central tool to get the message out. The brass ring is there for the taking, which entirely depends upon the commonwealth's leaders, public and private, to make bold game-changing decisions to grow our economy and lead by example.