



## Virginia Industrial Innovation Strategy

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Advanced technology industries, such as manufacturing, are essential to the United States of America and Virginia economies. Due to the global nature of manufacturing, industry is susceptible to the increasing costs of worker training, taxation, energy, and regulation. Because of our pro-business climate, Virginia has an opportunity to reinforce its position as a national leader in manufacturing. We must advocate for common sense legislation which supports industry to strengthen Virginia's competitive standing. 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. Priorities include:

- Increasing skills credential attainment
- Lowering the effective tax rate on industry
- Reducing the cost of regulatory compliance
- Maintaining affordable and reliable energy sources, and
- Protecting human health and the environment, as well as the economy.

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.

# Manufacturing Makes Virginia

## 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 current and emerging workers, whether in school, recently dislocated or in the workforce, to acquire certified skills and competency-based assessments and credentials from the public sector and private sector 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 industry careers – see Manufacturing Skills Institute (MSI) and Dream It Do It Virginia (DIDIVA) Network;

**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 or poster mandate, 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 an “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 regulation of point sources and non-point sources equally. This analysis should also include the long-term funding needs of wastewater treatment infrastructure. 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 as well as effective adaptation strategies 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 cost-effective energy efficiency technology and programs, cost-effective distributed generation, 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, clean coal, oil, natural gas, renewables (e.g., wind, landfill gas, sustainable biomass), combined heat & power and all offshore resources (e.g., oil, gas, wind and wave). Virginia should also adopt a process that will better outline the economic costs and benefits of electric utility regulation to producers and consumers prior to legislative action;

**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 over 20% 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** infrastructure is vitally important to manufacturers and their ability to compete globally. As such, the VMA is exclusively focused on the multi-modal movement of freight (air, maritime, rail, and road). Virginia must allocate adequate resources to commerce-based infrastructure to insure that it is operated securely and competitively while valuing that technology and safety enforcement are integral to a multimodal transportation infrastructure that maintains Virginia's industrial competitiveness in intrastate and interstate commerce. However, Virginia must also avoid conversion of existing infrastructure into toll roads; differentiate between commerce-dependent and computer-dependent infrastructure; implement intelligent transportation initiatives that improve the capacity, safety and efficiency of our current infrastructure while insuring that all transportation costs are competitive against regional, domestic and foreign competition;

**Infrastructure modernization** policies must prioritize the engagement of domestic manufacturing industries in the design, development and manufacturing of products procured for these 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.

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.

