

THE VIRGINIA STRATEGY FOR GROWTH AND MANUFACTURING RENEWAL

Whereas, Virginia manufacturing is essential as ever to the strength of the American economy and its prospects for future growth and is as central to our national security as it is to our economic security; and,

Whereas, the manufacturing sector for decades has accounted durably for about 25% of U.S. economic output and the overwhelming percentage of American exports, and continues to do both today while leading the economy in productivity; and,

Whereas, manufacturing in the United States is innovative, efficient and productive with the best workers in the world, technologies on the global cutting edge and R&D programs and efforts capable of keeping it there; and,

Whereas, manufacturing is challenged as never before -- finding itself on the front lines of the most intense global competition in history which makes it virtually impossible to raise prices even as costs continue to rise for many reasons including actions by government or its failure to act; and,

Whereas, the costs of domestic production for reasons ranging from health care inflation, and regulatory and legal burdens to volatile energy prices have combined with slow economic growth domestically and around the world, a persistently overvalued dollar, terrorism and geopolitical uncertainty, to increase the complexity of the challenge facing manufacturing; and,

Whereas, the economic climate has yielded the slowest manufacturing recovery in decades and a decline in manufacturing employment totaling a loss of two million jobs, despite productivity gains and threatening a loss of the critical skills associated with them; and,

Whereas, an effective strategy for manufacturing renewal to reverse these adverse trends depends in large part on the enactment and implementation of an effective policy agenda for growth by Congress, the Executive Branch, the General Assembly and the Administration; and,

Whereas, special emphasis must be placed on:

Tax policy that enhances economic growth and encourages productivity through technology and investment incentives and recognizes that the effective tax rate on manufacturers must be measured against our ability to compete globally versus simple arithmetic comparisons of single tax rates in neighboring states;

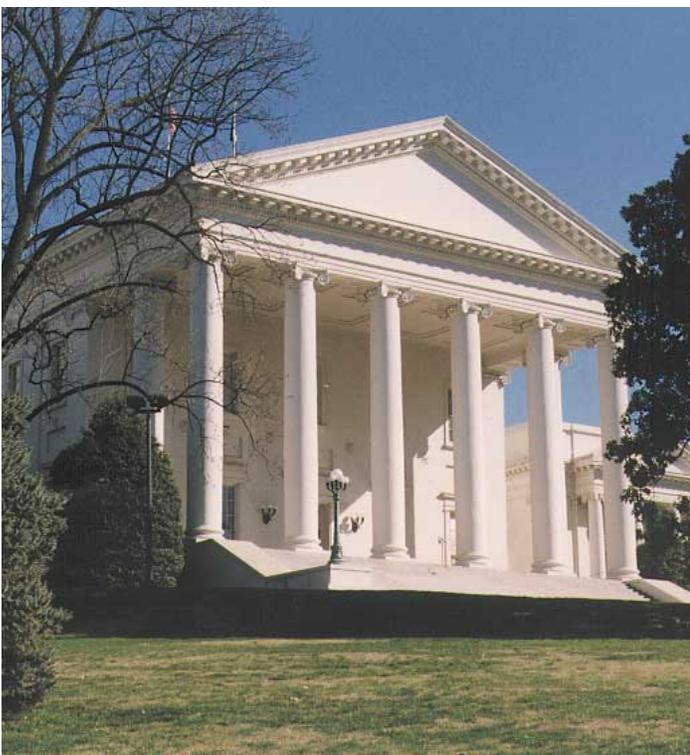


Fiscal policy that does not allow core government services to be devolved into fee-based services that force disproportionate taxation on specific sectors of the economy and recognizes the preference Virginia must demonstrate in encouraging businesses that represent "basic industry" and therefore bring new money to the Commonwealth by virtue of the fact that 50% or more of their sales come from outside the state or nation;

Fees for Services should be controlled as an "unfunded mandate" 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. Further, fees should: (1) recover only a portion of the agency's costs of permit processing, (2) be collected for the purpose of more efficiently and expeditiously processing permits, (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, and budget amendments and bills which are contrary to these six principles should be opposed;

Health Care and Retirement System Reforms that will 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 that 22% of health insurance premiums are directly due to the fact that Virginia has more mandated health benefits than 45 states, address the escalating rate of uninsured and encourage the development of the long-term care insurance market;

Worker and skills enhancing efforts, first, to put people back to work and further, to empower today's workers and tomorrow's, both in school and in the workforce, to acquire certified 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 that have the capability of filling the 30% attrition that could occur by 2007 in manufacturing



operations due to retirements, while at the same time educating decision-makers and parents to better appreciate the rewards of modern jobs in technology-intensive manufacturing;

Transportation policy that insures adequate resources are allocated toward insuring our commerce-based infrastructure 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;

Environmental policy that recognizes the Commonwealth's responsibility in maintaining efficient, lean, cost-effective and responsive state environmental agencies and efforts of the Virginia Department of Environmental Quality (DEQ) that result in state administration of federally-delegated programs. Further, these programs and policies should have an appropriate balance between environmental protection and economic development; be based on good science; consider cost impacts and comparative risk assessments in regulatory process; and, allow for flexible and performance-based approaches;

Litigation Efficiency that will allow frivolous suits to be ended at the summary judgment stage. 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;

Trade policy that levels the global playing field for American manufacturers by opening markets, lowering tariffs, modernizing export controls and sanctions policies, enforcing trade laws, achieving market driven currency valuations and insuring that adequate resources are focused on assisting domestic manufacturers compete in the global marketplace for new customers or new sources of material and components;

A national and state energy policy is essential to ensuring sustainable economic growth in manufacturing, with emphasis on reliable supply at affordable prices, conservation, increased efficiency, strengthened infrastructure, and investments in new technologies;

Asbestos litigation and the legal system are especially ripe for reform as the explosion of asbestos liability has bankrupted companies, cost workers their jobs and threatened retirement savings with an accumulated present and future liability burden of \$250 billion acting as an anchor on manufacturing's ability to recover;

Technology policy that will preserve and enhance the U.S. lead in R&D and innovation and assure protection of intellectual property and strengthen our engineering and advanced skills for the purposes of growing Virginia's technology-intensive manufacturers;

Whereas, President Bush, his Administration, the Virginia General Assembly and the Governor have recognized the unique stresses confronting manufacturing, including the loss of employment; and,

Whereas, to further refine, clarify and advance a broader public awareness of the centrality of manufacturing, the pro-growth policies needed to maintain it and the nature and magnitude of the challenges facing it, Virginia should create a Blue-Ribbon Commission, inter-disciplinary and inter-departmental, to analyze each of these and to propose a strategy and plan of action for the state government to complement private sector actions to effectively sustain Virginia

leadership at the top of global competitiveness.

Now therefore be it resolved that the Virginia Manufacturers Association commits its energies and resources to a multi-year effort to advance this strategy for growth and manufacturing renewal with every member of our Federal Delegation, the Virginia General Assembly, the Administration and other key officials dedicated to growing Virginia's domestic manufacturing base. We will seek to involve our member companies and their workers in this effort to spread the manufacturing message in Washington, Virginia and around the country – and encourage our members' 119,000 employees to do the same; and,

Be it further resolved that members of the Virginia Manufacturers Association shall renew our conviction that what we seek with this strategy for growth and manufacturing renewal is in the interest of 330,000+ Virginia 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 country and the Commonwealth's economy as a whole. 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.

VIRGINIA MANUFACTURING ECONOMIC IMPACT

BUSINESS ESTABLISHMENTS

Manufacturing = 7,000

Transportation, Trucking & Warehousing = 5,000

Manufacturers w/20+FTE = 2,743

EMPLOYMENT

Manufacturing = 304,700

Average Size = 144

Median Employment = 50

Transportation, Trucking & Warehousing = 52,000

AVERAGE WEEKLY WAGES

Manufacturing=\$805 (8% above state business average)

Transportation, Trucking & Warehousing = \$720

ECONOMIC PERFORMANCE

Manufacturing Average Sales = \$20,926,167.00 – \$35,760,782.00

Manufacturing Median Sales = \$1,000,000.00 – \$5,000,000.00

Manufacturing Share of GSP¹ = 12.3% (2001), 11.6% (2002)

TECHNOLOGY-INTENSIVE MANUFACTURERS²

Average Sales = \$50,000,000.00+

Average Employment = 132

Note: Virginia has lost 1 in 6 manufacturing jobs since July 2000 (Source: BLS, March 2003)

¹ Figure does not account for service sector businesses dependent upon manufacturing output.

² Source: www.cit.org/pdf/ManufacturingExecSum.pdf