

# Governor's Manufacturing Advisory Council

A briefing for the Manufacturing Caucus of the Pennsylvania Senate

**Making Progress** | The following is a summary of specific Manufacturing Advisory Council recommendations we are aware of that have been adopted, or proposed with substantial movement toward adoption since the release of the final report on August 21, 2012:

- Business Climate:
  - Continued Phase out of the Capital Stock and Franchise Tax
  - Eliminated the sunset for the R&D Tax Credit and keep credit at \$55 million
  - Adopted the single sales factor in calculating the corporate tax (Encourages manufacturers to invest in fixed assets and employment in Pennsylvania)
  - Increased the cap of the net operating loss deduction in FY 2013 to \$4 million or 25% of income, and in 2015 \$5 million or 30% of income (whichever is greater).
  - Elimination of the Inheritance Tax (Death Tax) for family owned businesses (less than 50 employees, assets less than \$5M). (Act 52 of 2013) (HB 465)
  - *Proposed reduction in the Corporate Net Income tax*
  - *Manufacturing Innovation Account introduced in the House by Representative Sankey (GMAC Recommendation 10.1.5).*
- Workforce and Talent
  - Funded pilot for an "Adopt a School" effort to grow the pipeline of skilled workers (*D2PA "Skill Up" Lehigh Valley project*)[Rec 1]
  - Announced the Industrial Maintenance Certificate program at Reading Area Community College in partnership with the National Mfg Association – 10 additional PA schools plan on offering this industry developed certificate as well. (recommendation 2)
  - Launched L&I Keystone Works Program (*a manufacturer from York, PA first to participate*)
  - L&I Job Gateway investments to allow employers to better identify candidates.
  - PDE has begun implementation of new teacher effectiveness measures tied to college and career readiness standards and student achievement. per Recommendations 6.2
- Access to Capital
  - Department of Community and Economic Development significantly reduced their loan rates for programs most heavily used by manufacturers
  - *Innovate in PA* Program established which provides a new and substantial source of funding for early-stage and growth stage venture capital investments. These investments are a key driver of innovation capacity, research, new product development and ultimately competitiveness in many manufacturing industries.
  - *Pennsylvania Business Development Authority proposed as a way, in part, to support more growth oriented capital for manufacturing in Pennsylvania.*
  - *Proposed manufacturing equity fund to support growth initiatives for small and mid-sized manufacturers. Led by the Access to Capital Implementation Team.*
- Opening new markets
  - DCED and Team PA created an International Business Advisory Board with strong manufacturing representation to gather support and input from Pennsylvania exporters on how the state can best invest its limited resources.
  - Launched new industry specific export initiatives which convenes manufacturing firms seeking to sell into a certain market and helps them collaborate for best access. Began with 10 companies partnering in mining equipment industry.

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- Canada First Program launched to encourage more first time exporters
  - Team PA Foundation will be launching a \$200,000 mini grant program to directly support companies that seek to export manufacturer products into new markets
  - *Transportation funding proposal submitted by Governor and being negotiated in the legislature to address infrastructure concerns*
  - *Statewide Energy Plan is in process with the Administration – a recommendation cited by the Council as important to the manufacturing sectors global competitiveness*
- Innovation
    - Pennsylvania secured \$45 Million federal pilot grant to establish the National Additive Manufacturing Innovation Institute on Additive Manufacturing. In June 2013, Pittsburgh hosted a global addition manufacturing conference, RAPID bringing some of the the world's leading manufacturing innovators to PA.
    - Innovation Engineering Leadership Institute launched in PA in November 2012 to provide manufacturers access to support for their internal product innovation systems
    - Innovation Conference held in October 2012 with the US Council on Competitiveness (COC) in partnership with Implementation Team members Lehigh University and Air Products.
    - Pennsylvania's Industrial Resource Center network developing a PA Innovation Marketplace Portal to connect manufacturers with innovation resources and new business opportunities in partnership with DCED and the US Department of Commerce
    - *Technology Scouting* – training was provided to DCED and partners on tools used by the Research Triangle Institute to help small and mediums sized manufacturers assess and find high tech solutions to product development and process improvement barriers
    - Linking engineering university students and faculty with PA Manufacturers to focus on research and new product development. A yet to be announced Discovered and Developed in PA Program funded the *Research for Advanced Manufacturing Program (RAMP)* to support these efforts.

## Legislative Suggestions | How can you help?

**Not your father's training:** Make a continued investment in modernizing technical training and employer led training partnerships with educational institutions at the local level.

1. Review funding formula that "penalizes" local high school and districts that send students to Career and Technical schools. Incent those that with proven performance of driving student achievement and career readiness.
2. Advance better data sharing between educators, industry, policy makers and the public to more readily identify skill and employment gaps and opportunities.
3. Continue to provide adequate resources to employer driven workforce development programs such as WEDnet, Industry Partnerships, and others.
4. Encourage continued practical cooperation between manufacturers, Technical Schools, Community Colleges, and regional WIBs.

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**Sell more goods there, make more goods here:** Bringing more links in the world's supply chain back to Pennsylvania.

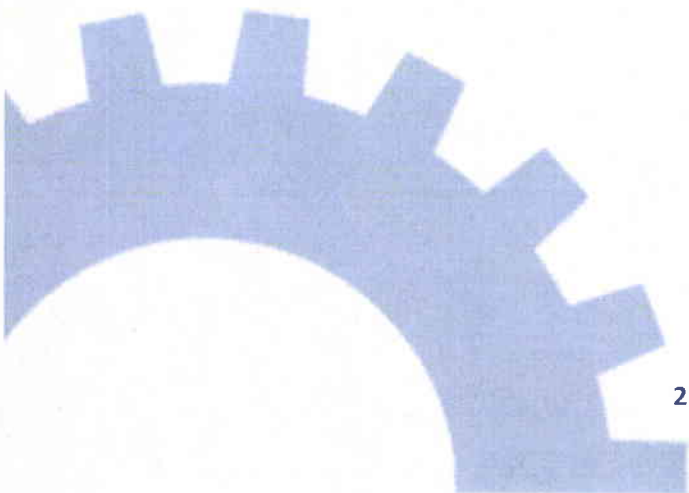
1. **Expand export assistance:** Continued support for Pennsylvania's export assistance programs that work. The Office of International Business Development is currently facing a substantial reduction in their capacity and funding due to federal funding loss.
2. **Support a re-shoring or import replacement strategy** that identifies and works to attract new investments from companies that have relocated plants or sourced their supply chain from overseas markets in the last few decades. For many companies, market changes have made US made product sourcing possible again at a price point that is competitive with current suppliers.
3. **Adequate and sustainable multi-modal infrastructure funding** to ensure transportation of goods does not become an impediment to manufacturers investing in Pennsylvania.

**Literally RE-INVEST in the future of manufacturing in Pennsylvania,** driven by rapid product and process improvement, innovation and research capacity, and adequate access to growth capital.

1. Help manufacturers reinvest into growth through tax reforms and lending modernization.
  - a. Support tax reforms that encourage capital investments and R&D expenses of manufacturers. One such idea recommended by the council is the [Small Business "IRA"](#), introduced by Representative Sankey as HB 869. These "Innovation Accounts" have proven successful in Connecticut and are specifically referred in the GMAC report.
  - b. Continue the modernization of business finance programs to allow manufacturers access to growth capital that can be flexible, patient, subordinate to other lenders such as the proposed [Pennsylvania Business Development Authority](#).
  - c. Continued phase out of the CSFT, which is particularly punitive to manufacturers.
  - d. Consider expansion of death tax elimination (capped at 50 employees / \$5M in assets.)
2. Provide continued access to high quality technical assistance through support for the highly valuable but limited number of manufacturing focused technical assistance networks such as the Industrial Resource Centers and other innovation focused funding through the Department of Community and Economic Development.

# Governor's Manufacturing Advisory Council

Recommendations to encourage growth in Pennsylvania's manufacturing sector



**TEAM**  
**Pennsylvania**  
FOUNDATION

2012 | An Advisory Council of Team Pennsylvania Foundation

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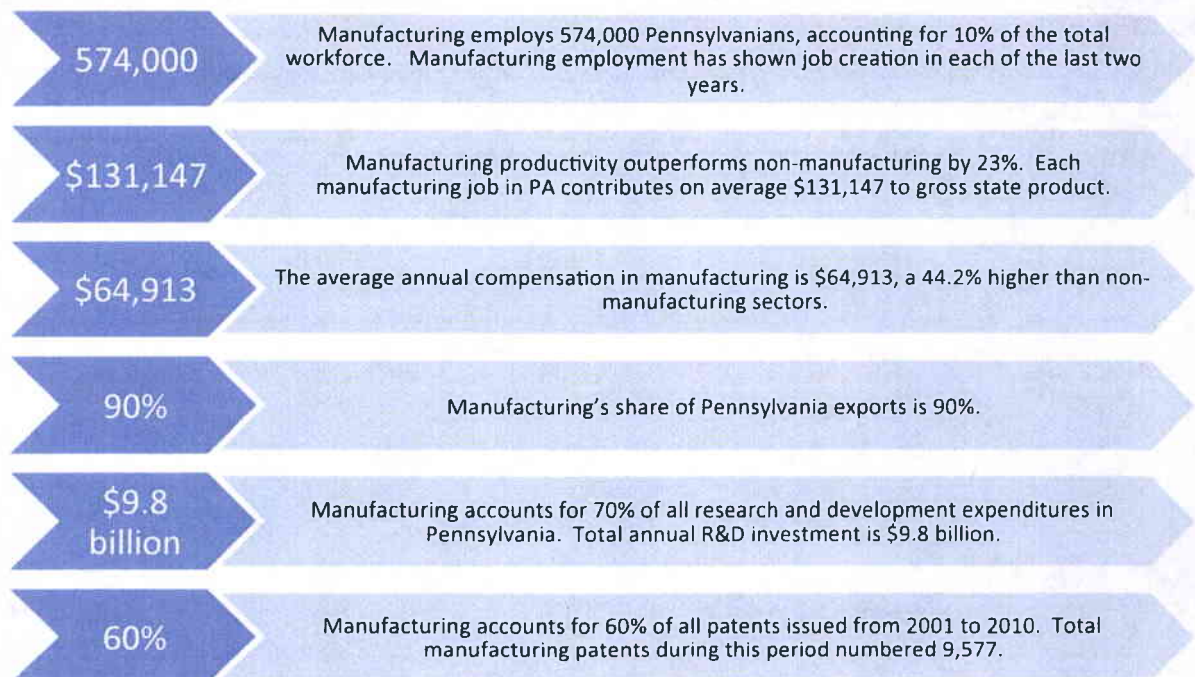
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## The State of Manufacturing in Pennsylvania

Following the challenges brought by the Great Recession, the manufacturing sector in Pennsylvania is undergoing a renaissance. With gross state product (GSP) now reaching \$71 billion, manufacturers in Pennsylvania account for over 12% of the total output in the commonwealth<sup>1</sup>. Pennsylvania remains the 6th largest manufacturing state in the United States (utilizing GSP as a benchmark). Pennsylvania outranks other historically industrial states including Michigan, Indiana, New York and New Jersey<sup>2</sup>. Pennsylvania is now producing more products than at any time in its history. For each of the last two years manufacturing employment has increased significantly and in 2011 alone 12,100 new jobs were created<sup>3</sup>. While employment continues to grow, the sector continues to experience measurable leaps in productivity driven by technology adoption and process innovation. Manufacturing productivity outpaces all other sectors with a staggering 259% increase over the last 40 years<sup>4</sup>.

With nearly 15,000 manufacturing establishments across the commonwealth, the outlook is bright for continued growth. Pennsylvania firms are building upon a proud heritage in manufacturing and have demonstrated new and creative approaches of integrating innovation into both products and processes. Recognizing the dynamics of the global marketplace, Pennsylvania hosts scores of multinational facilities exporting at record levels around the world accounting for more than 90% of all Pennsylvania exports.

Other key facts which underscore the importance of manufacturing in Pennsylvania include<sup>1,3</sup>:



<sup>1</sup> National Association of Manufacturers; [www.nam.org/statedata.org](http://www.nam.org/statedata.org); and [www.mfgdata@nam.org](mailto:www.mfgdata@nam.org)

<sup>2</sup> The Information Technology and Innovation Foundation (ITIF); [www.itif.org](http://www.itif.org)

<sup>3</sup> PA Department of Labor and Industry, Center for Workforce Information and Analysis

<sup>4</sup> Pennsylvania's True Commonwealth – The State of Manufacturing, Challenges and Opportunities, February 2011

One of Pennsylvania's greatest strengths is its diversity of manufacturing. Unlike in most other states, no one sector accounts for more than five percent (5%) of the total number of firms<sup>4</sup>. Some of the commonwealth's predominant sectors include transportation, metal machining and fabrication, glass, chemicals and plastics. These industry sectors continue to be well positioned to support growth in emerging markets such as energy, including renewable and natural gas, as well as medical devices and life sciences.

Diversity in the establishment size of Pennsylvania companies also provides strength and stability. Ninety-eight percent (98%) of all manufacturing firms in the commonwealth employ fewer than 500 employees, accounting for 75% of the total manufacturing workforce<sup>5</sup>. In contrast, 23 Fortune 500 companies are headquartered in the commonwealth, including at least 10 that are primarily focused on the manufacturing sector.<sup>6</sup> The investment and capacity of these firms, whether large or small, is leveraged and supported by an extensive network of supply chains within the commonwealth.

While the recession was especially hard on the manufacturing sector, there are strong indicators that manufacturing is leading the commonwealth's economic recovery. Taken as a whole, Pennsylvania firms have shown steady growth in both sales and in jobs since 2010. Exports continue to increase, with state export assistance programs recognized among the best in the nation. Additionally, there is a growing momentum in "reshoring" work, the relocation of work which had previously been outsourced to locations and facilities outside of the United States.

Manufacturing leaders continue to note a growing skills gap as they attempt to build their internal staff capacity for increased customer orders and new product demand. Likewise there are complaints of limited access to capital as leaders need to finance the inventory necessary to ramp up production to meet greater customer demand. While both limited available workers and limited available capital are real issues, these are also encouraging signs that manufacturing is on an upward trend and is leading Pennsylvania out of the recession.

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<sup>5</sup> PA Department of Labor and Industry, Center for Workforce Information and Analysis

<sup>6</sup> 2012 Fortune 500 List – Fortune Magazine

## Structure & Process

### Council Background

Recognizing the challenges and opportunities in Pennsylvania's economy and with a keen awareness that manufacturing has led the commonwealth's growth since the days of the Industrial Revolution, Governor Tom Corbett announced the formation of a special task force to examine this industry's current and future state. The Governor's Manufacturing Advisory Council was created as a body of 24 manufacturing leaders and experts from all corners of the commonwealth. Governor Corbett appointed as Council Co-Chairs DCED Secretary C. Alan Walker and Mr. Carlos M. Cardoso, Chairman, President and CEO of Kennametal, Inc. Governor Corbett requested that Team Pennsylvania Foundation, the commonwealth's non-profit partner, manage and oversee the Council process from a private sector perspective without using tax dollars. With the support of the National Governor's Association (NGA) Advanced Manufacturing Policy Academy staff leadership team, Council members identified an agenda for each of the six meetings. They also gathered the information required to inform and guide their final recommendations. Full-day meetings were scheduled each month from January to June 2012. Subject matter experts were called upon to provide input and guidance, while the National Institute of Standards and Technology and the federal Manufacturing Extension Partnership (MEP) were brought in by Team Pennsylvania Foundation to assist in facilitating and supporting the process.

The general topics analyzed during the six primary sessions of the Council include:

- January 11, 2012      Manufacturing Overview – State and Federal
- February 17, 2012    Talent and Workforce Development
- March 12, 2012      Opening New Markets – Domestic and International
- April 11, 2012      Making Government Work for Manufacturers
- May 15, 2012        Innovation and Access to Capital
- June 12, 2012        Summary of Findings: Challenges, Opportunities, and Next Steps

The pages that follow capture the findings and recommendations of the Governor's Manufacturing Advisory Council.



## Advisory Council Membership

The council consisted of 24 members from a diverse cross-section of manufacturing interests including heavy machinery, minerals, pharmaceuticals, plastics, steel and textiles.

### Tom Corbett, Governor, Chair

#### **C. Alan Walker, Co-Chair, Secretary, Department of Community & Economic Development**

Secretary Walker brings over 30 years of experience in the private sector as President and CEO of Bradford Energy Company, Inc. to his role as Secretary of the commonwealth's lead community and economic development agency.

#### **Carlos M. Cardoso, Co-Chair, Chairman, President and CEO, Kennametal Inc., Latrobe**

Kennametal has engineered innovative tooling and solutions for extreme wear environments for more than 70 years using complex metallurgy and materials science in tungsten carbide, high-speed steels and other materials.

[www.kennametal.com](http://www.kennametal.com)

#### **Samuel "Pat" Black, President & CEO, Erie Management Group, LLC., Erie**

Erie Management Group, LLC was founded with a goal of encouraging new growth from entrepreneurs nationwide and bringing jobs back to the Erie region.

[www.eriemg.com](http://www.eriemg.com)

#### **David Barenfeld, President & CEO, Ellwood Group Inc., Ellwood City**

Ellwood Group Inc. produces engineered, heavy metal sections for capital specialty equipment manufacturers in the United States and around the world.

[www.elwd.com](http://www.elwd.com)

#### **Greg Booth, CEO, Zippo Manufacturing Company, Bradford**

Zippo Manufacturing Company is the maker of the iconic Zippo lighter. The Bradford-based company was founded in 1932 and is still owned by descendants of Zippo lighter inventor George G. Blaisdell.

[www.zippo.com](http://www.zippo.com)

#### **Heather Chandler, President, Sealstrip Corporation, Gilbertsville**

Sealstrip Corporation provides flexible packagers with re-sealable and easy open packaging solutions that are essential to compete in today's market.

[www.sealstrip.com](http://www.sealstrip.com)

#### **Frank Epifano, CFO, sanofi pasteur, Swiftwater**

sanofi pasteur, the vaccines division of sanofi-aventis Group, is the largest company in the world devoted entirely to human vaccines.

[www.sanofipasteur.us](http://www.sanofipasteur.us)

#### **Janis Herschkowitz, President, PRL Industries, Cornwall**

PRL Inc. provides complete turnkey capabilities for high specification castings.

[www.prlinc.com](http://www.prlinc.com)

#### **Jeff Kelly, CEO, Hamill Manufacturing Company, Trafford**

Hammill Manufacturing specializes in precision machining, welding, and fabrication of complex components which has established them as a well respected company in a variety of industries including defense, power generation, glass, steel, semi-conductor, aerospace, and transportation.

[www.hamillmfg.com](http://www.hamillmfg.com)

**Todd Kennedy, President & CEO, McClarin Plastics, Hanover**

McClarin Plastics, Inc. is a premier plastic manufacturer of large thermoformed plastic and fiberglass reinforced plastic components providing production throughout the Midwest and East Coast.

[www.mcclarinplastics.com](http://www.mcclarinplastics.com)

**Leroy "Tighe" King, Chairman & CEO, Perform Group LLC, York**

Perform Group, LLC is proud to be a leader in providing high quality performance apparel primarily for the global markets of dance and gymnastics. Although Perform Group's brands can be found around the world, many of the garments are designed, manufactured and marketed in York, Pennsylvania.

[www.performgrouppllc.com](http://www.performgrouppllc.com)

**Daniel Langdon, President, East Penn Manufacturing Co., Inc., Lyon Station**

East Penn Manufacturing makes thousands of different sizes and types of lead-acid batteries, battery accessories, and wire & cable products for virtually any application.

[www.dekabatteries.com](http://www.dekabatteries.com)

**Michael McLanahan, Chairman & CEO, McLanahan Corporation, Holidaysburg**

McLanahan Corporation offers a wide range of equipment and systems to process raw and synthetic materials including crushings, washing, classifying, screening, dewatering, sorting, mixing, etc.

[www.mclanahan.com](http://www.mclanahan.com)

**Louay Mishu, Plant Manager, Family Care, Procter & Gamble, Mehoopany**

Multi-national manufacturer of product ranges including personal care, household cleaning, laundry detergents, prescription drugs, and disposable nappies.

[www.pg.com](http://www.pg.com)

**Scott Meuser, Chairman & CEO, Pride Mobility Products Corp., Exeter**

Pride Mobility Products® Corporation is the world's leading designer and manufacturer of personal mobility products, including the iconic Jazzy® brand of power chairs, and the Quantum Rehab® division, offering the highest-performing complex rehab technology in the industry.

[www.pridemobility.com](http://www.pridemobility.com)

**Michael Pearson, President, Union Packaging, Yeadon**

Union Packaging LLC (UP), located in Yeadon, PA, is a leading paperboard manufacturer dedicated to making FDA compliant folding cartons in the Quick Service Restaurant market utilizing flexographic printing capabilities as well as high speed folding/gluing machines.

[www.unionpkg.com](http://www.unionpkg.com)

**Jim Rutkowski Jr., Vice President, Industrial Sales & Manufacturing Inc., Erie**

Industrial Sales & Mfg., Inc.(ISM), located in Erie PA, is a manufacturer and leading supplier of quality machined, fabricated and assembled components for a wide variety of industrial and other markets.

[www.ismerie.com](http://www.ismerie.com)

**David Simpson, President, Diamond Manufacturing, Wyoming**

North America's leading & largest perforator, since 1915 Diamond Manufacturing has been providing original equipment manufacturers (OEMs), job shops, and architectural firms with quality perforated material.

[www.diamondman.com](http://www.diamondman.com)