



21st Century Manufacturing Task Force

Report

February 7, 2013

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Introduction

The Ohio House of Representatives' 21st Century Manufacturing Task Force was established in June of 2012. It was created to facilitate an interactive dialogue between Ohio's manufacturing community, legislators, and interested parties to determine the current status of manufacturing in Ohio and actions that could be taken to improve Ohio's manufacturing competitiveness.

Eight hearings were conducted over a course of five months. The first seven hearings were held in conjunction with various manufacturers across the state. Each visitation typically involved over seven hours of interaction with Task Force members consisting of a tour of the manufacturing facility in the morning, and a hearing in the afternoon. The eighth and final hearing was held at the Statehouse.

The following locations hosted tours and hearings:

- The Timken Company – Canton
- Owens-Illinois – Perrysburg
- Pentaflex – Springfield
- DuPont – Circleville (Tour) Ohio Christian University (Hearing)
- Worthington Industries – Columbus
- Lincoln Electric – Cleveland
- General Electric – Cincinnati (Tour) City of Sharonville (Hearing)

Over 50 witnesses personally testified during the process and many others testified in writing. A variety of themes were discussed at each hearing with an emphasis on identifying challenges in manufacturing and the actions necessary to address those challenges.

Task Force Members and Ohio House Staff Support

The Task Force was comprised of members representing all four quadrants of the state and central Ohio. It also was bi-partisan with five Republicans and four Democrats serving.

The following members served on the Task Force:

- State Representative Nickie Antonio
- State Representative Jack Cera
- State Representative Denise Driehaus
- State Representative Anne Gonzales
- State Representative Christina Hagan
- State Representative Ross McGregor (Vice-Chair)
- State Representative Sean O'Brien
- State Representative Kirk Schuring (Chair)
- State Representative Barbara Sears

The following Ohio House staff assisted the Task Force:

- Emily Williams
- Sean Chichelli
- Nick Muccio
- Madison Lisotto
- Chad Aronson
- Nick D'Angelo
- Micah Derry
- Aileen O'Donnell
- Joe Russell
- Ali Sehringer
- Kelly Smith
- Pam Wilson
- Kelsey Woolard

Special thanks to the Ohio Manufacturer's Association for their assistance in coordinating the hearings at manufacturing locations across the state.

Report

The Task Force unanimously approved the following report:

Workforce Development:

A properly educated and well-trained workforce is critically important to the long-term well-being of manufacturing in our state. Ohio's manufacturers need to have access to a talent pool of workers who can meet the demands of a sophisticated 21st century manufacturing environment. Young people in Ohio should understand that a career in manufacturing offers a lucrative opportunity for significant income, stimulating challenges, and long-term job security. The stature of a manufacturing career should rise to the level of Germany where it is considered to be a profession, rather than just a job.

Action Items:

- The Ohio Board of Regents and the Department of Education should develop initiatives to showcase the exciting career opportunities available in manufacturing.
- Encourage more collaboration and cooperation between Ohio's education community and manufacturers to customize co-ops, internships, and apprenticeships to address the individual needs of specific manufacturers. These programs should be jointly funded by the state and the individual manufacturer.
- All co-ops, internships, and apprenticeships should include soft skills as part of their education and training.
- Establish a dual-credit program for students to attain an associate's degree in manufacturing.
- Increase the number of certificates available for various trade skills pertaining to manufacturing.
- Encourage the use of virtual-reality training devices in lieu of using expensive and sometimes cost-prohibitive equipment to train skilled workers.

Research and Development:

Innovation is key to the growth and sustainability of manufacturing in our state. Ohio's manufacturers must constantly endeavor to keep their products current with the ever-changing demands of customers in the 21st century marketplace. Innovation improves productivity, delivers desirable products, and creates a competitive edge that will enable Ohio's manufacturers to win in the national and international arena.

Action Items:

- Increase the opportunities for Ohio's higher education community to be an instrument for Ohio's manufacturers who are seeking research and development assistance.

- Encourage higher education/private sector partnerships to conduct demonstration products that test the viability of new products that are near market. This effort will help to move them to full commercialization and production.
- Both promote and grow the Edison Centers in our state as a valuable tool to assist manufacturing. Past Edison Center efforts have shown an excellent return on investment and their efforts should be augmented.
- Encourage more public/private research & development efforts to approve energy efficiencies in manufacturing.
- Encourage the utilization of high-speed fiber optic broadband and data centers to assist research and development in manufacturing.
- Explore more ways for Ohio to form a triple-helix partnership between higher education, state and local government, and manufacturing to produce an optimal ecosystem for manufacturing and deliver a multiplier-effect to other economic sectors in our state.
- Create public/private partnerships to improve advanced manufacturing. One such endeavor would be to further develop the additive manufacturing process that is evolving and holds high promise for new opportunities in manufacturing.
- Foster more public/private manufacturing accelerators to help emerging manufacturers to avoid the “valley of death” challenges associated with becoming viable.

Energy:

Energy costs are a major expense to manufacturing in Ohio and often times can be tremendously challenging and burdensome. The specter of looming higher energy costs could have a devastating effect on manufacturing in our state. To that end, Ohio must constantly strive to keep energy costs down in order for Ohio’s manufacturers to be competitive.

Action Items:

- Encourage and support the shale energy exploration in our state as a way to supply low-cost energy to manufacturers.
- Encourage the necessary infrastructure improvements to transport shale energy to its end-users.
- Promote more combined heat and power (CHP) activities to lower energy costs and improve emissions.
- Create a transition plan for manufacturers to negotiate specific terms and conditions with electric utilities during the period that the electric utility is moving to market.
- Adopt market-driven strategies that will allow the expansion of renewable energy.
- Explore ways to optimize shale natural gas to grow Ohio’s petrochemical industry.
- Encourage the development of the infrastructure necessary to build a delivery system to accommodate the increased use of compressed natural gas (CNG) vehicles.
- Develop a program to assist high-energy manufacturers to stabilize or lower their energy costs over a long period of time.

Regulation:

One of the most effective ways to enhance Ohio's manufacturing competitiveness is to reform regulation so that it is fair, consistent, and is in harmony with other state and federal regulations. Regulations should be easy to understand and friendly towards compliance.

Action Items:

- Continue strides made by Ohio regulators to make regulations understandable and provide a sensible and expeditious path towards compliance.
- Coordinate state regulations with federal regulations to avoid confusion and conflict in achieving compliance.
- Advocate that the federal government does not impose burdensome regulations that will put Ohio's manufacturers at a competitive disadvantage.

Tax Structure:

The tax reform that created the Commercial Activity Tax (CAT) has been a great benefit to Ohio's manufacturers and has enhanced its overall competitiveness. It's important that the integrity of the CAT not be violated. However, additional tax reform should be adopted to encourage economic growth.

Action Items:

- Encourage a uniform municipal tax policy to be adopted to eliminate multiple and confusing tax filings that are a burden and cost to manufacturers.
- Create tax incentives to promote capital investment.
- Create tax incentives to promote research and development.
- Create tax incentives to promote energy efficiencies.
- Allow an accelerated depreciation schedule to assist in capital formation.
- Make Ohio's job retention tax credit more robust and effective.

Trade:

Free trade provides many exciting opportunities for Ohio's manufacturers, but it also must be fair. When Ohio's foreign competitors don't abide by the rules, it hurts our manufacturers and costs jobs. Even though trade policy is largely a federal issue, Ohio needs to be a strong advocate for the type of trade policy that helps manufacturing and doesn't put it at a competitive disadvantage.

Action Item:

- Monitor federal trade activities and advocate for improvements that will open opportunities for more Ohio products to be exported. Also advocate for measures that will thwart unfair foreign competition that hurts Ohio's manufacturers.

Transportation:

Transporting goods and raw materials quickly, easily, and at the lowest possible cost is vital to Ohio's manufacturers. A multimodal transportation system maximizing the use of our highways, railways, waterways and air can put Ohio in a strategic position to beat its competition.

Action Items:

- Create a maritime department similar to the Ohio Rail Commission to enhance the use of our seaways and waterways as a viable mode of transportation.
- Explore new ways to fund improvements and repairs to Ohio's highways and bridges.
- Support policies that will improve rail service to Ohio's manufacturers.
- Advocate the federal government to assist in the building and maintenance of the multimodal infrastructure in our state.

Workers' Compensation:

Ohio's Workers' Compensation system was designed to be a no-fault insurance plan that provides injured workers with the medical attention they need and a clear pathway to return to work. As with any other thing, Ohio's Workers' Compensation system should be periodically reviewed for improvement. Any recommendation that comes from that exercise should include all stakeholders in an effort to find consensus.

Action Items:

- Explore ways to improve Ohio's return to work ratio.
- Seek methods to enhance Ohio's Industrial Commission's hearing process so that disputed claims can be adjudicated with as much information and participation from both parties as possible.

Recycling:

Most of Ohio's manufacturers are great recyclers and are seeking ways to increase their recycling activities. Recycling reduces energy costs, lowers emissions, and provides raw materials at a reduced cost.

Action Item:

- Develop ways that will generate more recyclable materials to manufacturers who want to use them as feed stock.

Manufacturing Clusters:

Ohio is fortunate to have some of the best manufacturing clusters in the nation. These clusters provide a manufacturing-specialized ecosystem that has a positive impact on the regional economy and also the region's overall quality of life.

Action Item:

- Support Ohio's manufacturing clusters by focusing on their strengths and striving to build upon them.

Outreach:

Ohio has an abundance of programs and policies to assist manufacturing. However, many manufacturers are not aware of the various services that are available to assist them.

Action Item:

- Develop a feature under the Ohio Development Services Agency (DSA) that will provide a mechanism for Ohio's manufacturers to review the type of assistance that is available and also how to access it.

Manufacturing's Image:

Ohio has one of the strongest manufacturing sectors in the United States and the world. It is a large part of our state's Gross Domestic Product (GDP) and stimulates growth in other sectors of our economy. Unfortunately, there has been a trend over the years by those outside manufacturing to undermine its importance and improperly characterize it as old and unexciting. The truth is quite the contrary, and an effort is needed to change its overall image.

Action Item:

- Launch a cooperative effort between the Development Services Agency (DSA), Ohio Manufacturer's Association (OMA) and other interested parties to re-brand manufacturing. The emphasis of this effort will be to showcase the positive aspects of 21st century manufacturing in Ohio and the exciting career opportunities it has to offer.