

Commerce Committee field hearing – Monday, June 27, 2011 – 10:30 a.m.
Manufacturing in West Virginia
“Making it in America: Innovate Locally, Export Globally

REMARKS BY MARK R. JULIAN, Director, Business & Industrial Development, West Virginia Development Office

Chairman Rockefeller, members of the Committee, and other distinguished guests, I'm grateful to be here today and for your focusing attention on manufacturing innovation, technology and business diversification. Our industrial capability to manufacture is vital to the economic health and security of our state and our nation.

I appreciate the opportunity to contribute to these discussions as we review where we have been, assess where we are now, and communicate a strategy to take us to where we need to be.

Traditionally, mining and manufacturing were the engines that drove West Virginia's economy. In 1920, Union Carbide Corporation built the world's first petrochemical plant in Clendenin, West Virginia. The state soon became home to chemical, steel, glass, metal and textile manufacturing. In the 1940s, most West Virginians worked in goods-producing industries, but these blue collar jobs began to disappear in the decades that followed.

The recessions of the 1980s and other economic factors hit West Virginia hard. Employment in our steel, glass, and chemical manufacturing, as well as mining, fell by a third between 1979 and 1985. During the 1990s, the economy began to improve, aided by energy demands, trade, tourism, the aerospace industry, and an investment in informational technology firms and federal projects such as the FBI's fingerprint identification division.

There were 75,900 manufacturing jobs in West Virginia in 2000. By 2008, there were 56,500. In 2008-2009, we lost 11% of manufacturing jobs, but our state wasn't alone in that loss. During

the same time period, Ohio's manufacturing jobs dropped 18%; Pennsylvania's decreased 12%; Kentucky dropped by 15%; and Virginia, 11%.

Our state's economy has long been tied to the energy markets, rising when the energy markets rise and falling when the markets are less than ideal. So in order for West Virginia to reach its full potential, it is imperative that we continue working to diversify our business base. The need for continued diversification is real and urgent.

Fundamental to that effort is partnerships. Consequently, West Virginia's governmental, business, labor and educational communities have been working closely to expand and diversify our state's economy while continuing our strong commitment to manufacturing which has been so important to our history and remains critical to our future.

Historically, West Virginia has a greater percentage of employment in certain industrial sectors as oil and gas, chemical products, power generation, metal manufacturing and forest products, to name a few. This was confirmed by a 2011 National Governor's Association Study on Economic Performance. That same study revealed that we are on focus when reviewing our targeted development strategy.

Today, the key emerging industries in West Virginia include biometrics/ biomedical technology, advanced energy and distribution, automotive, aerospace, business services, chemicals and plastics, information technology, printing, tourism, fabricated metals and value-added wood products.

Building economic strength in these diverse sectors builds stability in the economy—and that is good for all business, large and small. We are focused on these targets in our development strategy and are pursuing these diversification opportunities daily.

Equally important are our exports. If asked what West Virginia exports, most would say coal, which is critically important, however they also include polymers, machinery, wood products,

chemicals, automotive, and aeronautics, just to name a few. Growing our exports is a key strategy for the continued diversification of West Virginia.

We must continue to aggressively educate state businesses, large and small, on the benefits of exporting.

- In 2010, West Virginia's exports reached a record level \$6.4 billion.
- The state's exports grew by 33 percent over last year, outperforming the U.S. export growth rate of 21 percent.
- Last week, 49 West Virginia businesses received the Governor's Commendation for International Market Entry, honoring companies that have successfully exported to 90 different countries just in the past year.

I am also happy to report that businesses have continued to invest in our state. Since 2005, more than \$15.2 billion in new business investments have been made in West Virginia's economy. For example:

- Alcon, the world's largest manufacturer of intraocular lenses, recently completed its second plant in Huntington, a \$25 million investment. Alcon employs more than 800 workers.
- Essroc invested more than \$600 million in their Martinsburg facility, tripling their previous production capacity. One-hundred fifty people are employed at the facility.
- Toyota Motor Manufacturing West Virginia recently invested \$64 million to increase production of its six-speed auto transmissions. Employment at the plant is now at 1,100.

- CertainTeed, a wallboard manufacturer, invested \$200 million in their Marshall County plant. The company employs 90 workers.
- Quad/Graphics is an especially good example, as West Virginia's stability and productivity played a large part in their decision to expand. (Over \$15 million in upgrades to its Martinsburg plant; added 400 new jobs; total employment of 1,000 workers.)
- Kingsford Charcoal invested \$22 million in their Tucker County facility that employs 109 people.
- Klockner Pentaplast, a manufacturer of rigid plastic films, invested \$34 million in their Raleigh County plant that employs 60 people. This location is a "Center of Excellence" for them. This plant contains the latest technology available in that sector.
- Macy's chose West Virginia over 157 other locations for its new 1.3 million-square-foot fulfillment center in Berkeley County. This \$150 million investment will create 1,200 full and part-time jobs, as well as 700 seasonal positions.

These investments and many more are helping West Virginia diversify and advance in our development efforts.

It was recently reported by the U.S. Commerce Department's Bureau of Economic Analysis that West Virginia's growth in real gross domestic product (GDP) increased 4 percent in 2010. West Virginia's GDP was \$55.992 billion in 2010, up from \$53.842 billion in 2009. The state ranks fifth for most improved GDP in the nation. This is good news.

Also, critical to future development is the management of government. The ability to offer businesses a stable and predictable investment environment. To that end,

- West Virginia closed its 2010 fiscal year with a surplus of more than \$102 million; the fifth year in a row with a surplus – without a tax increase.
- The Governor’s budget office projects general revenues will grow at better than 7 percent in fiscal year 2012 over the current year.
- West Virginia has one of the strongest Rainy Day funds of any state, which will reach 17 percent of the state’s General Revenue Fund Budget this year.
- West Virginia is one of only 18 states that have not had to borrow federal funds to pay unemployment compensation benefits.

These are all impressive accomplishments that are selling very well to investors. This has been accomplished while reducing Corporate Net Income Tax rates and the phase out of our Business Franchise Tax.

Instead of digging in and merely trying to hold on until the economy rebounds, we are aggressively promoting our state’s stability and the many benefits we can offer for business investment. We’re in a financial position that few states are.

A key component of our current success and our future opportunities is our workforce. West Virginia has been investing in developing the skill sets of our work force. Despite the unemployment and available workers, employers across the country continue to have trouble finding workers qualified to fill positions. Businesses want and need qualified applicants with the fundamental as well as specialized skills, who are ready to be productive. West Virginia is working hard to provide those workers.

To that end, the Community and Technical College System of West Virginia (CTC) governmental agencies such as Department of Commerce, WorkForce West Virginia, Higher Educational Policy Commission, and other partnering entities are working directly with industry and collaborating with each other. Their goals are to develop programs that prepare prospective

employees with the skills businesses need today, and to prepare workers for the occupations that are emerging. In fact, the CTC System is currently working to construct two Advanced Technology Centers to meet these needs—an investment of \$30 million dollars. These are being located in Fairmont and the Kanawha Valley.

This is vital because, as we know, nearly 60 percent of the fastest growing new jobs in West Virginia will require at least a two-year college degree.

Rather than view these challenging economic times as something to weather, we've been viewing it as strategic opportunity to bring attention to West Virginia and what we have to offer. We are passionate about our efforts.

We are identifying opportunities and aggressively working to capture them. We continue to work with our established businesses in assisting them to succeed and working with our workforce to prepare them to compete.

West Virginia has its foot on the accelerator. We believe it is time to reaffirm our commitment to business and manufacturing assistance, workforce development, financing programs and support of technology development. This fundamentally must include state and federal partnerships and programs. They are important to our efforts.

Just to name a few of our partners at the federal level:

- Appalachian Regional Commission
- U.S. Small Business Administration SBDC Program and Loan Programs and Loan Guarantees
- U.S. Department of Commerce -- U.S. Export Assistance Centers (Charleston and Wheeling) and U.S. Economic Development Administration
- U.S. Department of Agriculture Rural Development
- U.S. Department of Labor WorkForce Investment Act funding

Some partners at the state and regional level include:

- Robert C. Byrd Institute for Advanced Flexible Manufacturing (RCBI)
- West Virginia Export Council
- West Virginia Manufacturing Extension Program
- Discover the Real West Virginia Foundation
- West Virginia Tech Connect
- Bioscience Association of West Virginia
- West Virginia High Technology Foundation
- I-79 Development Council's West Virginia Biometrics Initiative

In summary, West Virginia's future is bright and we are working extremely hard to capture every opportunity. Thank you for the opportunity to be here today.