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Name & Date of Hearing: "Made in America: Innovations in Job Creation and Economic Growth"
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2322 Rayburn House Office Building

Subcommittee of Jurisdiction: House Subcommittee on Commerce, Manufacturing & Trade

Thank you for this invitation to speak to you today.

The topic at hand – innovation in manufacturing and trade – is one that is very close to our hearts in Georgia. We are a state that cultivates innovation and creativity in this very strategic industry.

Let me outline briefly my intent today. I'd like to give you a quick rundown of Georgia's manufacturing sector, and then brief you on some of the innovative measures we've implemented in order to remain competitive in the global economy.

Manufacturing in Georgia

Georgia's manufacturing sector is very strong. In 2009 (the most recent year for which figures are available), we had three hundred and fifty-seven thousand (357,000) workers in this industry – that's 9.2 percent of our non-farm employment. In 2008, the sector comprised almost 11 percent of Georgia's economy and had an output of 43.3 billion dollars. Last year, manufacturing accounted for 92 percent of Georgia's exports. More than 28.7 billion dollars in manufactured goods were exported, a 21 percent increase from 2009.

This isn't your grandfather's manufacturing we're talking about. We are particularly strong in advanced manufacturing sectors like aerospace and automotive, both part of our strategic industry focus. Georgia's aerospace manufacturing sector accounts for approximately

one-third of the over 84,000 aerospace workers in the state, and our aerospace exports in 2010 grew 23 percent to an all-time high of 4.14 billion dollars – seventh in the U.S. Industry giants like Lockheed-Marietta, Boeing and Gulfstream are part of our corporate aerospace community.

Georgia's automotive industry began in 1909 with the establishment of a Ford Motors plant. Today, Kia has invested approximately one billion dollars in its first U.S. auto facility, which is located in Georgia. Kia is just one of our more than 300 auto and vehicle-related companies, employing 20,000 workers all told. Other prominent automotive names are Pirelli Tire, Toyo Tire, ZF Industries and Johnson Controls.

Like most states, we lost manufacturing jobs during the recent economic downturn. But our recovery is coming on strong. Based on the Purchasing Managers Index, which measures productivity, our manufacturing sector has been in expansion mode since November. Sector employment in Georgia has increased for the fourth consecutive month, and confidence levels remain high.

These figures speak to the kind of energy and spirit of innovation that exists in our state. The men and women who comprise Georgia's manufacturing workforce are highly motivated, skilled, enthusiastic and eager to embrace new ways of doing things.

Challenge and solution

This is an attitude....and an aptitude...that we have deliberately cultivated in our workers in response to the challenges of the new world economy. We in Georgia realized very early that we would not be able to compete with other countries, particularly emerging

economies, on the basis of wages. We're not about low-cost manufacturing – we're about high-quality manufacturing. We enable that to happen in four ways:

1. Connecting those manufacturing companies to a talented workforce through a workforce development program called **Georgia Quick Start**
2. Easing the process of commercialization for researchers, entrepreneurs and small businesses with high-growth potential, through the **Georgia Centers of Innovation**
3. Creating **trade opportunities through an award-winning partnership** between the state, the federal government, and the private sector
4. Maintaining a **business-friendly environment**

Georgia Quick Start

Georgia stepped up early to ensure we had the most creative approach to workforce development in the nation. Education and training is a critical part of the manufacturing innovation process in Georgia, through economic development partnerships with our universities and in our 26 technical colleges.

Our Georgia Quick Start program was the first of its kind in the U.S. and has become a national model for customized workforce training. Offered to qualified companies free of charge by the state since 1967, Quick Start is a part of the Technical College System in Georgia. It begins working with companies while they are still prospects, determining what it is they need to begin operating at full capacity the day they open their doors in Georgia. Quick Start has delivered more than fifty-eight hundred (5800) projects for client companies and prepared more than three-quarters of a million trainees.

It's a "soup-to-nuts" process. Quick Start personnel will travel to a company's home state or country to study its manufacturing processes "on location," come back to Georgia, and replicate those processes through a variety of technology. The program gives hands-on training to new hires, trains existing workers on new processes and procedures, and provides ongoing training to the company after it begins to operate.

Possibly the best example of Quick Start's importance is its role in Kia's decision to locate in Georgia. Quick Start built a 22-million-dollar, state-of-the-art training facility that has trained each of the current twenty-two hundred (2200) Kia team members hired thus far. And it's about to train another 800, helping the company reach its full operational capacity ahead of schedule. The chairman of Hyundai/Kia has called Quick Start's training center a "global benchmark," and the training center for Hyundai's new plant in Brazil is being modeled after the one in Georgia

For NCR, the Fortune 500 company that opened its global headquarters in Georgia in 2010, Quick Start conducted a project study in Hungary. It built a fully operational simulation of NCR's assembly process, allowing the company to complete its first ATM within 13 weeks of the company's announcement it was coming to Georgia.

The concept has many imitators, but we are proud to have instituted the original program in the U.S. and to see it grow into something that, for many companies, is the deciding factor in their choice to locate or expand in Georgia. Georgia Quick Start is a powerful solution to our need to develop a skilled workforce for innovative manufacturers.

Georgia Centers of Innovation

Another way Georgia is strengthening our manufacturing sector is through our Centers of Innovation program, which is unique in the U.S. We saw that entrepreneurs and smaller companies with the potential for high growth were often having difficulty moving products and services into commercialization. So in 2003, then-Governor Sonny Perdue created this state-run program to connect them to Georgia's intellectual capital at its universities and technical colleges, as well as the industry expertise they needed to jump-start their growth.

The Center of Innovation for Manufacturing is one of six such centers in Georgia. It provides expertise in advanced manufacturing processes, as well as customized training programs with the latest advanced robotics and PLC and CIM equipment, helping manufacturing companies develop a healthy bottom line. The Center's friendly environment for research and development includes the latest prototyping equipment, allowing companies to test new ideas before investing money. The Center has worked with approximately 80 companies in the last two years, partnering frequently with the Georgia Institute of Technology to design innovative manufacturing processes and equipment and thus expand production.

Suniva, for instance, is a great example of Georgia innovation blossoming from the ground up. This solar manufacturing company grew from successfully commercialized research conducted at Georgia Tech. It manufactures the most efficient, low-cost photovoltaic cells on the market. The company is rapidly expanding its production capacity, and its new plant will open in 2011 with 400-plus megawatts capacity. Suniva was ranked last year by the Wall Street Journal as the number two venture-capital-backed clean technology company in the U.S., and received the "renewable energy exporter of the year" award from the Export-

Import Bank of the U.S. Suniva was assisted by the Georgia Center of Innovation for Energy, and is exactly the sort of company our Centers of Innovation program was created for.

Award-winning trade partnership

Georgia is also supporting its manufacturers through an award-winning U.S. Export Assistance (USEAC) partnership that is arguably the strongest in the country. This 13-year-old partnership leverages programs at all levels of government – federal, state and city-county – as well as academic programs. The Georgia Department of Economic Development led the two-year drive to form this partnership and has continued to play a pivotal role. The result has been an integration of services that is demonstrated through the export successes of Georgia's small and medium-sized companies, which have exported more, and exported faster, because of the multi-agency teamwork of the USEAC. For its leadership in this alliance, the department won the President's E-Start award for Export Services in 2007.

Pro-business environment

Another factor that sets us apart is our pro-business environment. Over the years, elected officials in Georgia have worked extremely hard to make sure the state regulatory and tax environment is such that it fosters business growth and success. To that end, single factor apportionment for Georgia's corporate income tax has likely been the most successful change in the tax code. Most states calculate state corporate income tax based on varying percentage of a company's payroll, property and sales. Georgia, however, is one of just 12 states that use only a single factor, gross sales receipts from inside the state, to calculate corporate income tax. This tax structure is a significant advantage for manufacturers that ship products outside of

the state. Georgia was the first state in the Southeast to adopt this formula, in 2005. Combined with Georgia's low six percent corporate income tax rate and our right-to-work status, in our experience, it is a powerfully persuasive factor for companies considering our state for location or expansion.

Georgia also attracts manufacturing companies that need to bring in supplies and quickly move products to global markets. Our logistics system, anchored by the world's busiest, most efficient airport and the country's fastest-growing port, is second to none. A healthy sign for manufacturing in Georgia is the record year experienced by the Port of Savannah in 2010, with nearly 20 percent growth in its TEUs. In fact, the port's exports outpaced its imports, comprising almost 53 percent of the port's total volume. The Port of Brunswick, which primarily handles automotive products, had a 52 percent increase in its business in the first half of its fiscal year.

Hartsfield-Jackson Atlanta International Airport serves, at last count, 151 U.S. destinations and more than 80 international destinations in 52 countries. More than 80 percent of the nation is within a two-hour flight of Georgia, or within a two-day truck haul. This kind of global access is what makes Georgia's 32 Fortune 1,000 companies believers in our state.

What can the federal government do to contribute to the pro-business environment of a state like Georgia?

The corporate world moves quickly, and we need to be able to match that speed. The federal regulatory environment is often quite challenging in that respect. For instance, it can take a minimum of nine months to get an air permit (as it did with Kia), and longer than that if a company locates in a non-attainment area. Our agency has an engineer on contract to help

companies with the permitting processes, but we may well be an exception. Overall, the slow-moving regulatory environment makes our country less competitive in the global marketplace. Because one-size-fits-all federal mandates are not always helpful to states, we suggest allowing states to adopt regulatory procedures that work best for them.

In summary, we think it's in Georgia's interest, and the interest of our citizens, to take an innovative approach to growing our advanced manufacturing and help the industry achieve its maximum potential for success. We are constantly examining our competitive package to see how we can be creative, and strategically attract and retain manufacturing in Georgia.

Thank you.

Committee on Energy and Commerce

U.S. House of Representatives

Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)

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|--|---|--|
| 1. Your Name: <u>Christopher Cumiskey</u> | | |
| 2. Are you testifying on behalf of the Federal, or a State or local government entity? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| 3. Are you testifying on behalf of an entity that is not a government entity? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
| 4. Other than yourself, please list which entity or entities you are representing: <u>Department of Economic Development for the state of Georgia</u> | | |
| 5. Please list any Federal grants or contracts (including subgrants or subcontracts) that you or the entity you represent have received on or after October 1, 2008: <u>NOTA NO</u> | | |
| 6. If your answer to the question in item 3 in this form is "yes," please describe your position or representational capacity with the entity(ies) you are representing: | | |
| 7. If your answer to the question in item 3 is "yes," do any of the entities disclosed in item 4 have parent organizations, subsidiaries, or partnerships that you are not representing in your testimony? | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
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