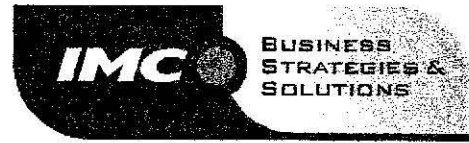


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Testimony of James K. Shillenn
Executive Director/CEO, IMC Business Strategies and Solutions
Before the House Commerce Committee
Hearing on Economic Development and Job Creation
March 11, 2010

I would like to thank Chairman Daley and Members of the House Commerce Committee for the opportunity to provide testimony on the Pennsylvania Industrial Resource Center program and also thank Representative Mirabito for hosting the hearings here in Williamsport, Pennsylvania.

I am Jim Shillenn, Executive Director/CEO for IMC, one of a network of seven regionally based Industrial Resource Centers (IRCs) here in Pennsylvania. The IMC provides assistance to smaller manufacturers in a twelve county area here in Central Pennsylvania. Our home office is here in Williamsport, Pennsylvania on the campus of Penn College and we have satellite offices at Innovation Park at Penn State and Hollidaysburg in Blair County. I have been the executive director at IMC since 1995 and I have been associated with the IRC program since 1989.

The IRC program was established in 1988 by Governor Casey in response to the loss of manufacturing jobs in Pennsylvania that occurred during the two recessions earlier in the decade. Although the recovery was under way for big companies, smaller manufacturers were not benefiting from the recovery because of their inability to compete against the growing number of foreign competitors who were beating them on quality, price, innovation and just about any other measure that was essential for competitiveness.

Since that time the IRC program is one of the few programs that have consistently demonstrated, year after year, an extraordinarily high return on Pennsylvania's public investment in terms of

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increased sales, reduced costs and job creation and retention for manufacturers. Over the years the program has received strong support from both sides of the aisle and in 2001 at the recommendation of Governor Ridge, ACT 31, the "IRC Partnership Act", was passed by the General Assembly establishing the IRCs as a major program of the Commonwealth for ensuring the competitiveness of Pennsylvania's smaller manufacturers.

In 2008 the IRCs celebrated 20 years of service to Pennsylvania's dynamic industrial base. In those 20 years the IRCs provided sustained performance through 26,000+ projects for 8,200+ firms. The IRCs are part of a national system of 59 manufacturing assistance centers in every state and Puerto Rico. The IRCs also receive some support from the U.S Department of Commerce, National Institutes for Standards and Technology, Manufacturing Extension Partnership Program (NIST-MEP).

In the past year alone, the NIST-MEP network worked with 31,961 manufacturers, providing assistance that created or retained 52,948 jobs, produced \$9.1 billion in new and retained sales and facilitated investments exceeding \$1.71 billion.

The Pennsylvania IRCs are considered among the best programs in the nation where the IRCs have been pioneers in Performance Improvement Services to address bottom line discipline, were responsive to the global challenges by being among the first to develop Business Growth Services to address top line services and are aggressively transforming to provide top notch Next Generation Manufacturing services to adapt to the changing competitive environment that our manufacturers continue to experience.

The Next Generation Manufacturing Strategies are centered on the main goal of growth for the manufacturer and include key strategies; Global Engagement, Continuous Improvement, Workforce, Sustainability, Supplier Development and Technology Acceleration. In a recent study conducted by the IRCs it outlines and provides support that firms that innovate, invest in continuous improvement and their employees and capture global markets will win in the new economy.

The Pennsylvania IRC program has a proven track record of performance and economic impact. Based on an *independent survey* of IRC clients in fiscal year 2008-2009 the IRCs delivered services to manufacturers that:

- Created 1,876 jobs
- Retained 5,533 jobs
- Produced \$948,933,892 in new and retained sales
- Produced \$149,468,231 in cost savings and;
- Produced \$232,368,233 in new investments.
- Estimated PA personal income tax from jobs created or retained by the IRC program in fiscal year 2008-2009 is \$11 million.

So why should Pennsylvania support this industry? Manufacturing is an industry that will drive the nation's economic recovery by creating wealth and jobs. There are approximately 16,000 firms employing 567,000 people in the Commonwealth. The vast major, over 95% of Pennsylvania's manufacturers, are smaller companies and most of them are family owned. Here in Rural Central Pennsylvania, over 99% of manufacturers are smaller companies. The average wages are higher than any other sector. Manufacturing provides 94% of all PA exports and more than 70% of all business research and development in the US. Over 43% of all state and local corporate taxes come from manufacturing.

The Commonwealth has a huge stake in the success of manufacturing in Pennsylvania especially the jobs that it provides. The IRC program is a critical program to guide and support smaller manufacturers through the complex and changing competitive challenges that they face.

We all understand that difficult decisions need to be made because of revenues shortages that the Commonwealth is facing as a result of the recent recession. However, priorities have to be set and no one can deny that jobs must be the top priority. Since December 2007, Pennsylvania has lost more than 200,000 jobs. Each week the Commonwealth pays between \$70 Million and \$75



Million in unemployment benefits. The solution is not trying to find more money by cutting job creation programs. That was done last year and it's not working.

The IRCs program is part of the solution for job creation and supporting the recovery of smaller manufacturers in Pennsylvania. Currently the IRC program is funded at \$6.88 million, which is the Governor's FY 2010-2011 proposal, and is a 55% reduction in funding from two years ago.

Based on past five years of client reported data, it is estimated that for each \$1 million of increased funding, IRC efforts to assist manufacturing businesses grow, will create or retain over 500 additional jobs. Manufacturers that grow will create jobs and pay business, sales and payroll taxes, which will provide a significant return on the state investment.

The **IRC**s are seven private, non-profit Centers located strategically throughout the Commonwealth. These Centers help the many small and medium-sized manufacturing enterprises (SMEs) in Pennsylvania respond to the changing markets, new technology and the competitive pressure of the global economy. The IRCs are a unique state program focused specifically on manufacturing. The IRCs require client manufacturers to commit to projects which have measurable impact. The IRCs provide dedicated staff that are closely aligned with many of Pennsylvania's professional manufacturing consultants and college and university resources that provide high level services and expertise to manufacturers in all corners of Pennsylvania.

The IRCs appreciate the long-time support by many members of this committee and hope to continue strong support for the only program that focuses on manufacturing, an industry critical to the Commonwealth's economic recovery and success.

Thank you for the opportunity to testify and share the IRC's previous and potential economic impact for the manufacturers in the Commonwealth.