

**U.S. House Small Business Committee
Subcommittee on Economic Growth, Tax and Capital Access
“Made in the U.S.A.: Small Businesses and
a New Domestic Manufacturing Renaissance”**

**Secretary of Commerce Bobby Hitt,
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Good afternoon, Chairman Rice, Ranking Member Chu and members of the Subcommittee. Thank you for the opportunity to provide testimony on today’s subject: the re-shoring of manufacturing in the United States and its broader impacts within the business community.

Many industry observers have been talking about a manufacturing resurgence or 'renaissance' happening in the United States for the past few years. Research from the Boston Consulting Group confirms the trend, as you have heard this afternoon.

On the national level, between January 2011 and December 2013, the U.S. added 434,000 manufacturing jobs, a gain of 3.7 percent. This rebound follows a decade-long decline in manufacturing employment at the national level, where nearly five and a half million manufacturing jobs were lost, a decline of 32 percent.

Speaking on behalf of South Carolina’s lead economic development agency, our state is at the forefront of the manufacturing revival today. South Carolina, while a small state in physical size, has had a traditionally strong manufacturing presence. This sector continues to gain momentum.

South Carolina’s manufacturing GDP was \$28.7 billion in 2012. This is approximately 16.3 percent of the state’s overall economy, a larger share than on the national level, where manufacturing accounts for 12 percent of the U.S. economy.

Between the end of the recession (July 2009) and December of 2013, South Carolina added 15,600 manufacturing jobs, an increase of 7.4 percent – more than double the rate of growth on the national scale over the same time frame.

According to a report released by the U.S. Department of Commerce’s Bureau of Economic Analysis, South Carolina is the fastest-growing manufacturing economy in the Southeast.

The report also ranked South Carolina’s economy as the 12th fastest growing in the nation, and tied with North Carolina as the fastest growing state on the East Coast.

We are known as a heavy weight in the aerospace and automotive sectors, with the highest per capita employment by foreign-owned companies. For these reasons, the national trade press has given us the moniker "Beast of the Southeast," which we wear with great pride.

Twenty years ago, it was a very different conversation. Manufacturing was picking up and moving out of the United States and South Carolina. Hardest hit in the state was the textile industry, which shed some 60,000 textile mill jobs and 12,000 apparel jobs over a 10-year period (from 1998-2008) in South Carolina alone.

At the same time, however, the automotive sector was taking root in our state, anchored by German automaker BMW, where I spent 18 years of my career and where I developed a personal passion for manufacturing. Today, there are more than 45,000 South Carolinians employed by the automotive industry in the state.

More recently, we have successfully recruited the aerospace industry to South Carolina, including Boeing's 787 assembly operation, and our state has three of the top four global tire makers.

There are several forces driving this re-shoring and on-shoring of manufacturing to the U.S. today.

Logistics is a driving force, as companies are seeking savings in transportation costs. Companies are moving back to the U.S. to get products to market faster and respond rapidly to customer orders in a just-in-time manufacturing environment.

Workforce considerations and the desire to have influence over the quality of the finished product are of importance, as are lower energy costs and competitive costs for land.

Recent announcements reinforce that on-shoring is occurring in South Carolina. In 2013 alone, nearly \$981 million in capital investment and 1,200 new jobs were announced by manufacturers bringing their operations to South Carolina from overseas. The companies range in size and scope.

Some recent examples of on-shoring in South Carolina include:

Silcotech, a maker of silicone-based injection molding for the medical industry based in Canada, selected York County for its U.S. plant. The company is investing \$3.5 million and creating around 50 new jobs.

Last year, three Walmart suppliers announced new facilities in South Carolina as part of Walmart's U.S. manufacturing initiative. Collectively, these three companies represent 800 new jobs and more than \$14 million in investment.

Importantly, these announcements are occurring in our state's rural areas. In the past three years, more than 30 percent of the projects we've announced in South Carolina and nearly a quarter of the jobs created have gone into the state's rural counties.

The Walmart suppliers locating in our state include Kent International, a bicycle company; Element Electronics, a maker of televisions; and Louis Hornick and Company, which produces window coverings and home textiles.

Yes, textiles are returning to the U.S. Another prominent example for South Carolina is The Keer Group, a Chinese textile company, which decided to build its first plant outside of China in Lancaster County, South Carolina, where they will produce industrial yarn. The company's \$218 million investment is expected to create 501 jobs.

Of course, when speaking about manufacturing, by and large, these are larger operations employing hundreds, if not thousands, of workers, who assemble products ranging from cars, to planes to tires.

The reason is that manufacturing facilities are becoming much more capital intensive. The average amount of capital invested by companies per manufacturing job created in South Carolina has more than doubled in just four years' time. In 2013, this figure was \$424,000 of capital per job created versus \$176,000 in 2009. This points to the fact that, overall, most manufacturing requires a large amount of capital and is difficult to grow to a meaningful scale for traditional small businesses.

Where the small business community typically reaps benefits from manufacturing in our state is either by providing a value-added service in direct support of the manufacturing operation (such as machining or repair) or by providing other services like janitorial, staffing or subcontracting on construction projects.

For South Carolina, the jobs multiplier for automotive manufacturing, for instance, is approximately four, meaning that for every automotive manufacturing job created in the state, three additional jobs in a variety of service and support functions are created. Most of these jobs are in small businesses. Other industries like aerospace, food products and machinery manufacturing have similarly high jobs multipliers.

There are also examples in our state of manufacturing contract work that has been on-shored to manufacturing operations of fewer than 100 employees. This includes Sargent Metal, which contracts with Otis Elevator and ADEX Machining, which provides value-added work for the aerospace sector. In these cases, being Made in the U.S.A. offers a highly skilled workforce, lean manufacturing processes, as well as cutting-edge technological advances and world-class infrastructure.

The Department of Commerce's mission is to recruit business to the state and to help existing businesses grow. Commerce has positioned itself as being the state's business agency – no matter the size of that business. An area we have strived to augment over the past three years is our small business area, which offers resources and programs specifically aimed at the small business community.

These programs include exporting assistance, which has been the beneficiary of federal funds through the STEP program (State Trade and Export Promotion). From 2011 to

2013, our staff has helped 59 small-and-medium-sized enterprises enter 24 export markets, resulting in \$3.7 million in sales.

Additionally, we have hosted a series of events pairing small business owners with prospective lenders – something akin to “speed dating” for acquiring a business loan.

The Department of Commerce works to connect the dots between small business and large industry. To accomplish this, we host supplier outreach events and have a “Buy South Carolina” program to bring together industry’s needs with businesses in the state that can fulfill them.

One recent success is Continental Tire, which is investing a total of \$500 million and creating 1,600 jobs in Sumter, South Carolina. The tire maker announced in January that it has awarded some \$100 million in contracts to South Carolina companies to date, an example of the ripple effect that occurs when a company of its scale locates in our state.

With this positive momentum, how can we encourage this growth curve to continue?

Success hinges on many factors, but I see three things as being the most crucial to our recruitment efforts: sites, infrastructure and workforce.

We continue to place emphasis on building our statewide inventory of suitable sites and buildings to show prospects. As a state, we are offering financial assistance to counties for site development and encouraging collaboration among regions for multi-county parks.

Certainly infrastructure is critical. This ranges from our transportation infrastructure, including our seaport assets, roadways and rail network; to utility infrastructure like water and sewer. The federal Community Development Block Grant program as well as our state’s Rural Infrastructure Authority are helping to address the infrastructure needs in South Carolina’s lesser developed areas. Bringing this crucial infrastructure online helps “set the table” for economic development to happen.

And finally, workforce development is vitally important. South Carolina has invested in training programs that provide company-specific training and apprenticeship opportunities. These programs, readySC and Apprenticeship Carolina, are rated among the best in the nation.

Overall, the industry points to a need to encourage more young people to explore manufacturing as a career in order to get them into the pipeline. Today, the biggest deficiencies are in trained technical positions with a two-year technical degree, such as industrial maintenance and precision manufacturing, as well as four-year STEM fields such as engineering and information technology.

In closing, South Carolina is benefiting in a large way from manufacturing investment, and I believe there will continue to be opportunities for our small business community to

profit from the manufacturing renaissance. The adage “a rising tide floats all boats” certainly fits.

Again, thank you to the leadership and members of the Subcommittee for the invitation to address you today. Manufacturing is a personal passion of mine, and I appreciate the opportunity to share the South Carolina story.

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