

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

Main Street Montana Manufacturing Key Industry Network 2014/2015 Draft Activities Status Report

Introduction

This draft report provides the status of the activities to date of the Manufacturing Key Industry Network (KIN) that is convening as part of Governor Bullock's Main Street Montana Project. The report consists of a narrative summarizing the KIN's activities to date as well as an appendix that contains background documents, meeting agendas and minutes as well as other materials that have been generated thus far by the KIN's activities. KIN members are encouraged to read through this draft and make any suggestions or comments.

Governor Steve Bullock initiated the Main Street Montana Project in early 2013 by enlisting the services of two of Montana's most respected and accomplished business leaders: Larry Simkins, CEO of the Washington Companies, and Bill Johnstone, CEO of D.A. Davidson Companies. The goal of the project was and is to create a dynamic private-public partnership to build and implement a business plan for Montana by Montanans. Over the course of approximately one year, Larry and Bill worked with members of Governor Bullock's administration to engage in a process of soliciting broad input and engagement from the private sector, as well as conducting research regarding Montana's economy - its strengths and challenges. More than 3,000 Montanans provided input through participating in a series of regional roundtable meetings and completing surveys.

The Main Street Montana Project plan was released in early April 2014. It identifies five pillars upon which the plan is built:

1. Train and Educate Tomorrow's Workforce Today
2. Create a Climate that Attracts, Retains and Grows Businesses
3. Build upon Montana's Economic Foundation
4. Market Montana
5. Nurture Emerging Industries and Encourage Innovation

The Main Street Montana Project is a dynamic and ongoing process. As it is implemented, its progress will be monitored and assessed. Adjustments will be made in light of input received, and lessons learned from implementation efforts. Annual reports will be issued.

An essential component of the implementation of the Main Street Montana Project is the establishment of Key Industry Networks (KINs). Each of the KINs is comprised of leading business persons within that sector, from throughout the state. Using the Project's five pillars as the frame of reference, the KINs are tasked with identifying the priorities that are most essential to the success of the businesses within their sector. In addition to identifying priorities and providing guidance relating to the goals, objectives and tasks identified in the report, each KIN will have the discretion and authority to recommend additional initiatives and steps to grow their businesses and increase jobs and wages.

The Manufacturing KIN is Co-chaired by Brothers Bert Robbins and Mike Robbins, founder and owners of SeaCast Inc. / Montana Precision Investment Castings and K.C. Walsh owner and CEO of Simms Fishing Products, located in Bozeman. The SeaCast website reports:

Established in Seattle by Mike and Bert Robins in 1985, SeaCast operates three full service investment casting foundries. In addition to casting, the facilities (Marysville WA, Seattle WA and Butte, MT) offer extensive support services such as CNC machining, heat treat and assembly. The company serves a wide variety of industries including: aerospace, industrial pumps, industrial gas turbines, medical, and transportation and computer hardware. To meet rigorous customer requirements, SeaCast's manufacturing processes have earned ISO9000, AS9100 and NADCAP certifications. Over 350 dedicated employees comprise SeaCast's workforce and the company remains privately held.

To broaden SeaCast's wide alloy capabilities, the company has built a new titanium vacuum melting facility in Butte, MT.

SeaCast mission statement: Provide world class net-shape castings in a profitable partnership with our customers through teamwork, innovation and technology.

The Simms website reports:

Simms is a brand founded on the pillars of innovation. It was the brainchild of visionary angler John Simms who saw a need to develop better waders and accessories than what was then available on the market. That quest led to the development of Simms Fishing Products in 1980. During that era, Simms was one of the first companies worldwide to introduce neoprene waders, which provided enhanced warmth and waterproofing armor for serious anglers pushing the limits of their fishing pursuits.

The brand continued to progress under the Jackson-based Life-Link International banner through the '80s. But it took a giant leap in 1993, when current owner, K.C. Walsh, a passionate angler and entrepreneur, acquired the company and relocated it to Bozeman. Walsh grew up in a fly-fishing family and it was his life-long dream to live, and work, and play in Montana.

Manufacturing KIN Members

Bert, Mike and K.C. recruited a top notch group of leaders of Montana manufacturers to participate on the KIN representing a broad cross section of this very diverse industry. The Manufacturing KIN members are listed below:

Co-Chairs

K.C. Walsh, Simms Fishing Products

Bert Robins, SeaCast
Mike Robins, SeaCast

Steering Committee

Neal Blossom, American Chemet Corporation
Gary Byers, Creative Sales
John Elsberry, Crazy Creek Products
Britt Fred, Northwest Paint
Ken Green, Timberline Tool
Mike Groff, PDM
Jim Haider, GTUIT
Larry Hall, S&K Electronics
Bill Harp, General Mills
Doug Hein, ATK Accessories-Plastics Center
Susan Humble, Anderson Steel
Ken Johnson, CM Manufacturing
David Kirkpatrick, Applied Materials
Tracy Lofstrom, Cleanwaste
Casey Malmquist, SmartLam
Jim Markel, Red Oxx Manufacturing
Pat Miller, PFM Manufacturing
Karl Mortiz, Lattice Materials
Steve Muellner, Montana Silversmiths
Eric Smith, Boeing Helena
Spencer Williams, West Paw Designs
Scott Ogeka, West Paw Designs (Alternate)
Bryan Wood, Wood's Power-Grip, Inc.
Jim Wright, Proof Research

The co-chairs realized that they would be asking very busy people to dedicate their valuable time to making the KIN's efforts a success. KIN members were given the charge by Governor Bullock when they accepted the task to identify and implement initiatives that would attract, retain and grow business, create jobs and improve wages. The Governor noted to KIN members that the premise of the Main Street Montana Project is that it be private-sector driven – that people in industry, know best what is needed to make their businesses grow and prosper. The Governor stressed that participating in the KIN gives members the opportunity to discuss and formulate goals and objectives that will facilitate that growth and prosperity for manufacturing. The Governor's hope is that at the end of the process there will be discrete tasks identified, which government and private business can take to grow business and the State's economy.

And, so far, the KIN members have responded well to the challenge delivered to them by the Governor. The full KIN first met in September 2014 (see meeting agenda and notes in the attached Appendix) where a robust facilitated discussion identified a number of high priority subject areas important to advancing manufacturing in Montana.

The results of the first full KIN meeting was to create a high level view of the strengths, weaknesses, opportunities and threats affecting manufacturers in Montana. The notes from that first facilitated meeting are contained in Appendix B. From the discussion, an Action Plan was developed (see

Appendix C) that identified several subject statements that were the basis for a series of more in-depth discussions, handled via conference calls. For the purposes of conducting more in-depth analysis these subject statements became topics for 5 work groups to discuss and KIN members could participate in those areas of greatest interest and expertise. The five subject areas included:

- Group A - Workforce issues including;
 - Expand Apprenticeship programs and usage by manufacturers and jobseekers/students;
 - Create a Manufacturing Image and Career Awareness Campaign;
- Group B – Growing business and nurturing emerging industries as follows;
 - Expand and promote MMEC;
 - Increase access to capital;
 - Increase and improve access to entrepreneurship classes;
- Group C- Build on Montana’s Economic Foundation;
 - Find new markets and products in post-processing of natural resources
 - Find transportation solutions
- Group D – Market Montana;
 - Re-think and upgrade the “Made in Montana” brand;
 - Leverage Big Box Buyers interested in Buy America;
- Group E –Design Competitive Tax Policies

Each of these subject areas were discussed in greater detail in one or more conference calls with the exception of Group D which ultimately ended up being dropped by the KIN due to a lack of interested KIN members willing to participate in more in depth discussions. Each conference call discussion was facilitated by Tom Kaiserski, Program Manager in the Montana Department of Commerce assigned as the liaison to the Manufacturing KIN. Each call also had a KIN representative that led the call and a KIN member also volunteered to report out on the results of each call at the full KIN meeting that was held on March 6, 2015.

The work group calls led to the second full meeting of the Manufacturing KIN which was held on March 6 in Helena. The meeting was highlighted by an address from Governor Bullock who thanked KIN members for the valuable time that they have dedicated to improving Montana. He said that he had three primary objectives going into this project – create better jobs, a better education system, and a more effective government. He explained that the idea behind MSMP was to have this effort led by the business community as they are in the best position to conduct an accurate analysis of the state’s strengths and weaknesses to determine how we can do better. The Governor said that the state budget is a balancing act between tax revenues and tax expenditures needed to fund essential services. He stated that, if he were to sign all the various tax cut and spending bills currently in play in the legislature, the state would end up a \$1 billion dollars upside down, further highlighting the difficult job balancing the budget.

The Governor also had two of his cabinet advisors address the KIN including Pam Bucy, Commissioner of the Department of Labor (DLI) and Meg O’Leary, Director of the Department of Commerce.

Pam noted that unemployment is low and workers are changing jobs all the time and that 27% percent of workforce is 50 years or older. This is leading to an impending worker shortage as the group of young workers coming up is not big enough to accommodate all those that will be retiring in the near future. This situation has fundamentally changed the services that DLI provides as the agency is now focusing on providing much more intensive services to those who are working as opposed to its former model that focused more on helping businesses find workers. In this new environment retraining has to occur quickly. Pam also noted that the nature of the nation's economic recovery from the 2008 recession has been such that some industries are recovering faster than others requiring DLI to adjust to those circumstances. Pam stressed that in order to be successful the workforce development system needs employer participation and input.

Pam described the \$25 million federal workforce training grant obtained by DLI – now called the Rev Up grant - formerly SWAMMEI (Strengthening Workforce Alignment in Montana's Manufacturing and Energy Industries Grant Program). The focus of this grant is to provide meaningful on the job training in the energy and manufacturing sectors and it currently has 90 industries partners.

Pam noted that DLI has looked at how much it takes students to obtain training credentials – and it does cost – as they estimate it currently takes a worker 10 years to pay off the expense of obtaining a two year degree – that is too long. Montana is 39th in the country for wages which in part explains why the payback is slow. Given these circumstances apprenticeship appears to be the way to satisfy all that's missing in education and career development – requiring some employer investment and providing a way to incentivize the employees.

Meg O'Leary discussed Commerce efforts and tools to aid manufacturing. DOC's Community Development and Housing Divisions look at the bigger picture of economic development by working to provide key infrastructure, such as water and sewer as well as affordable housing need to support job creation and economic development. The Promotions Division works to drive visitation to Montana.

The Business Resources Division has several programs designed to specifically help with Manufacturing KIN member businesses – led by the Workforce Training Grant and Big Sky Economic Development Trust Fund Programs. These programs can provide assistance in the amount of \$5,000 per job (up to \$7,500 per job in high poverty areas). The funding is available as soon as job created. The Big Sky Trust program has two pots of funding, the larger being used for job creation projects and the smaller fund for business plans and feasibility studies. Co-chair Mike Robbins noted that Montana Precision has used the programs very effectively which involved a partnership with Highlands College in Butte.

The remainder of the March KIN meeting was facilitated by Mary Craigle, Chief the Census and Economic Information Bureau of the Department of Commerce. This segment of the meeting involved reports from the work groups on the outcomes from the conference calls held in January and prioritizing those outcomes and recommended action items. The table below identifies and organizes those outcomes:

Manufacturing KIN

Priorities and Action Items

Action Item Identified in first KIN meeting	Action Item Notes from Work group discussions and second KIN meeting	Theme
<p>Identify actions that can be taken to increase and enhance the availability of a manufacturing workforce for Montana.</p>	<p>Work Group A Notes:</p> <p>Obtain better coordination across all levels to close gaps and align the workforce needs of the manufacturing industry. To accomplish this group A recommends the Governor convene meetings to include state agencies (Education, Commerce, Labor et.al.), manufacturing interests, appropriate federal agencies / programs, and other workforce training programs to coordinate a statewide approach to modifying /establishing training programs that will better meet the needs of industry.</p> <p>Second Full KIN Discussion Notes: Action Steps Summary</p> <ol style="list-style-type: none"> 1. Hold a workforce summit in September 2015 (all KINs) <ul style="list-style-type: none"> • Sector specific panel • Available workforce – keep them in, keep them here, bring more in 1. Pre-school to 16 Education Efforts with Office of Public Instruction, Montana University System and the Dept. of Labor and Industry on career and livable wage discussion. (all KINs) 2. Internships/Apprenticeships (all KINs) <ul style="list-style-type: none"> • RevUp \$\$ • Current / future legislation – support HB 277 • Management training needed 3. Create a Process/platform to coordinate industry efforts (KIN specific) <ul style="list-style-type: none"> • Accessibility to training 	<p>Workforce Summit</p>

<p>Growing business and nurturing emerging industries:</p> <ul style="list-style-type: none"> • Expand and promote MMEC; • Increase access to capital; • Increase and improve access to entrepreneurship classes; 	<p>Work Group B notes:</p> <ul style="list-style-type: none"> • First priority is to support MMEC in the 2015 legislative session • Second priority - create an investment package including target areas, policies need, funding mechanism (Cross - KIN) <p>Second Full KIN Discussion Notes: Lack of access to capital is a significant problem to Montana businesses</p> <p>Action Steps Summary -</p> <ul style="list-style-type: none"> • Hold access to capital summit • State create a capital attraction campaign– using Craig Wilkins proposal as a guide - this is applicable to most KINs 	<p>Access to Capital Summit</p> <p>Note: Following the March 6 KIN meeting discussion in the Governor’s Office indicates that an Access to Capital working group will be created to carry this issue forward</p>
<p>Identify transportation solutions</p>	<p>Work Group C Notes Identify the potential for statewide transportation coordination</p> <p>Second Full KIN Discussion Notes: Action Steps Summary –</p> <ul style="list-style-type: none"> • Encourage the state to hold a transportation summit once the Transportation Kin is formed • Create a cross-KIN transportation information portal with the goals of increased efficiency and decreased cost of transportation - Brian Wood, Neal Blossom and Tracy Lofstrom volunteered to gather information on this 	<p>Transportation Summit</p>
<p>Design Competitive Tax Policies</p>	<p>Work Group E Notes:</p> <p>The state’s business equipment tax is viewed negatively by manufacturers’</p> <p>Second Full KIN Discussion Notes: Staff will gather information on tax incentives, funding assistance, and workforce training programs for a webinar(s) for KIN members which</p>	<p>Understanding existing state tax incentives and other state business support mechanism to identify where improvements can be made</p>

	<p>would be presented by state experts in these areas. These informational webinars would be a precursor for the Manufacturing KIN to identify new tax and funding assistance proposals with these goals:</p> <ul style="list-style-type: none"> • Move to #1 in Business Tax climate • Simplify the MT Tax system for Manufacturing businesses 	
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Conclusion

In summary, the KIN’s work so far it has identified, discussed and prioritized four separate subject areas – workforce, transportation, capital attraction, and taxes as priority areas to focus. The following list summarizes the KIN’s Action Items as the KIN moves towards its next meeting on May 27:

1. Staff will gather information on tax incentives, funding assistance, and workforce training workforce training programs for a webinar(s) for KIN members which would be presented by state experts in these areas. These informational webinars would be a precursor for the Manufacturing KIN to identify new tax and funding assistance proposals with these goals:
 - i. Move to #1 in Business Tax climate
 - ii. Simplify the MT Tax system for Manufacturing businesses
2. Encourage the state to hold a transportation summit once the Transportation Kin is formed
3. Create a cross-KIN transportation information portal with the goals of increased efficiency and decreased cost of transportation
4. Participate in a cross-KIN access to capital working group to move Craig Wilkin’s proposal forward with these goals:
 - i. Identify three sources for additional funding
 - ii. Use Texas and Massachusetts programs as models
 - iii. Seek to increase funds from Craig’s \$25 million vision to \$100 million