

Made in Rhode Island Manufacturing Collaborative

Public Session

Friday, January 24, 2014, 11:30 a.m.

Rhode Island Commerce Corporation

Narragansett Conference Room

315 Iron Horse Way, Suite 101, Providence, RI

The following were in attendance:

Collaborative

David Blanchette

Paul McGreevy

Kelly Carello

Cristina DiChiera

Advisory Council

Jessica David

David Medeiros

Bill McCourt

Craig Pickell

Harsha Prakash

Commerce RI Staff

John R. Pagliarini

Sherri Carrera

Jennifer Howard

Opening remarks

Mr. Pagliarini called the meeting to order at 11:37 a.m. He announced that Mr. Valois had a morning meeting at the Quonset Business Park and would not be back in time for the meeting; Mr. Pagliarini would be chairing in his place. He invited everyone to introduce themselves and updated the group that there were 175 attendees at the previous day's Make It Happen RI event.

Approval of minutes

Mr. Pagliarini called for a motion to approve the minutes from the meeting on December 11, 2013. Mr. Pickell motioned to approve the minutes; Ms. DiChiera seconded; the minutes were unanimously approved.

Regulations Subcommittee presentation on suggested definition

Mr. Pagliarini said the subcommittee discussed what the definition of Made in Rhode Island should be, and the entire group needs to choose one of the three definitions presented by the subcommittee. He suggested a discussion on the three definitions then a vote on which is best or whether to include all three as options in the report to the general assembly.

Mr. Prakash said the subcommittee came up with one definition; the two other definitions are suggestions on phrase changes or something else entirely.

The subcommittee's recommended definition was: "Made in Rhode Island is defined as a Rhode Island company using specialized knowledge or processes performing a chemical or physical conversion of a raw material where the labor is performed in the state of Rhode Island."

In response, Mr. Pickell had recommended: "[Made in Rhode Island is defined as] any process of combining inputs that results in a finished product having greater monetary value than the sum of the cost of the inputs. Embedded in the art of the process is specialized knowledge held by the manufacturer that was developed and refined over time and which, in many cases, creates the business' competitive advantage and sustainability."

Mr. Valois had suggested the following definition in a previously submitted written document: "[Made in Rhode Island is defined as a] Rhode Island business that draws predominantly from the local labor force that makes, fabricates, produces, invents or converts raw materials, components or parts (regardless of origin) into finished goods or products that are different from the materials that went into it and that meets a customer's expectations or specifications."

He said the group needs to think about the intent of what they are doing as he went into the reasoning behind some of the phrasing in the definition.

Labor force is necessary, and that was an issue that was discussed, which is how the phrasing in the definition came about. He said federal regulations determined the phrasing about chemical processes. He added a value-add type of thinking. Ask where value is being added and where is there going to be a quality concern. Pre-manufacturing is the design component, and post-manufacturing concerns packaging. Mr. Prakash didn't feel packaging added value or quality to a product, and many companies not based in Rhode Island are simply shipping products to the state to package. Those products would not qualify as being made in Rhode Island. He asked if products designed in Rhode Island but made somewhere else would be eligible. The subcommittee addressed those questions through the labor issue and value-add component.

Also, Mr. Prakash asked who the group is addressing: the maker space versus the manufacturing space. The overarching goal or vision is something that is beneficial to both for products made or created in Rhode Island. Once the program is created, the group could go after incentives for both communities. Currently, more legislation is passed around manufacturing than the makers. Mr. Prakash then asked if anyone had any questions.

Mr. McGreevy said design is important and should be emphasized. Mr. McCourt said the basic intent is to promote products made here in Rhode Island – getting back to the subcommittee's point and Mr. Valois' too. Products are designed in Rhode Island but made in Massachusetts. Mr. McCourt was less concerned about the design aspect – it is important but less integral to the definition of made in Rhode Island.

There was a discussion around origin of goods among the subcommittee and where raw materials come from, but it didn't fit, so the committee went in the labor direction.

Mr. McCourt asked what the reason for the legislation was in the first place. Was it to put a logo on something to brand it as made in Rhode Island? That is less valuable to the manufacturer than the maker, but Mr. McCourt would still support even if it doesn't apply to manufacturing. He said

manufacturers also have multiple products where a maker only has one. A manufacturing company may not qualify for the program, but their products may.

Mr. McGreevy reminded the group that the legislation offers the opportunity to recommend both. He wants to label exports and wants something to solve and help the manufacturing community use local products; it does not have to be either or. Mr. Pagliarini agreed.

Mr. McGreevy brought the conversation back to the definition. He was puzzled by the chemical or physical as opposed to a value-add process. Mr. McCourt said, of the three definitions, he thinks Mr. Valois' is perfectly acceptable. Getting into the chemical and physical using the federal categorization may be too technical. Mr. Pagliarini agreed that Mr. Valois' definition seemed a little broader. "Specialized knowledge" was not defined, however, so defining that would be his only concern. He did not want to create a definition so narrow that someone would have to be in the industry or part of the process to understand it; it needed to be understandable to a lay person.

Mr. McCourt moved to adopt Mr. Valois' definition. Mr. Pickell seconded the motion. A lengthy discussion began concerning the specific wording of the definition up for approval. Mr. McGreevy asked if the last phrase "different from the materials that went into it and that meet a customer's expectations or specifications" was necessary. Mr. McCourt said that makers may not know who their customers are, so it may not be necessary.

Mr. Medeiros asked if a company located geographically out of state could be considered a Rhode Island business. Mr. McCourt recommended changing "local labor force" to "Rhode Island labor force." Ms. Carello clarified that being a Rhode Island business means the company is located here. Part of the self-verification process going forward needs to include some proof that the business resides in state. Mr. Prakash recommended changing the wording to "a business that draws from a Rhode Island labor force."

Ms. David asked if the label will apply to the business or the product. If it is about the product, the definition should be flipped to emphasize that: "A finished good or product that is made... by a business that draws from a Rhode Island labor force." Mr. Pagliarini agreed and said it is consistent with and captures the essence of the definition.

The group agreed on the following Made in Rhode Island definition: **"A product created by a Rhode Island business drawing predominantly from a Rhode Island labor force that is fabricated, produced or created by conversion of raw materials, components or parts."** Mr. Prakash made a new motion to accept the amended definition. Mr. McCourt seconded the motion, and the group unanimously approved the definition.

The suggested self-verification statement was as follows: **"I verify that my products meet the 'Made in Rhode Island' program eligibility criteria of having either been created or substantially transformed within the state of Rhode Island and that I will only use the logos on products that meet this description as approved by the program."**

Mr. McCourt asked what "approved by the program" means, and Ms. Carrera said as per the approved definition of Made in Rhode Island. Mr. McCourt asked if there will be an agency approving this, and Ms. Carrera responded only if there is an issue raised.

Mr. McGreevy made a motion to approve the self-verification statement, and Ms. Carello seconded. In discussion, the statement was amended to read: **“I verify that my product (s) meet the ‘Made in Rhode Island’ program eligibility of having either been created or substantially transformed within the state of Rhode Island and that I will only use the ‘Made in Rhode Island’ logo for those products that meet this description as defined by the program.”**

Mr. McCourt motioned to approve the revised self-verification statement. Mr. McGreevy seconded the motion, and the group unanimously approved the statement.

Discussion in implementation recommendations

Mr. McGreevy asked if a state agency should police the program. Mr. McCourt asked what the penalties will be for violating the agreement. Mr. Prakash answered that the company will not be able to use the logo anymore.

Mr. McGreevy asked if the group must make a recommendation on the definition, certification and accountability of the program. Mr. McCourt said the group should come up with a recommendation on how to register a complaint, who to go to and how to order a business to cease use of the logo.

Mr. Pagliarini recommended holding that issue until the next meeting so Ms. Carello can report back from her meeting with the secretary of state’s office to see if they will take responsibility. Mr. Prakash asked if the Department of Labor and Training would be able to manage the program since they will have the manufacturing employee data.

Mr. Pagliarini said that, as of the present, there is no funding supporting the Made in Rhode Island initiative. He asked the committee if they were ready to come up with suggestions on the best way to implement the program – if they wanted to start the conversation or wait until the next meeting when more members were present.

Mr. McGreevy suggested everyone look at the *Economic Intersections of Rhode Island* executive summary and report from the prior day’s event. The initiative recommended enabling businesses to communicate with other businesses in the state. Another action item from the report was branding. Both recommendations fit into the Made in Rhode Island agenda.

Mr. Pagliarini said a site like North Carolina’s would create a manufacturing supply chain. Ms. David said they were educating people locally about buying local products, not just focusing on exports. Mr. Pagliarini agreed with an effort to educate consumers about Made in Rhode Island products. Ms. David said the discussion goes back to the intent of the initiative, which is to market internally and externally. Educate people about what it means for the Rhode Island economy. Mr. Pagliarini brought the discussion back to creating a supply chain and matchmaking through a website, where the logo is on the products.

Mr. McGreevy asked if there should be a state-sponsored incentive as part of the program. The way the program stood at that point, the state would not need to be involved at all. Mr. McCourt said he would be less supportive of tax incentives. Mr. Pagliarini asked the committee if they want to include a tax incentive for Made in Rhode Island in the report for the general assembly to consider.

Ms. Carrera asked what would get a company to move to Rhode Island. Would incentives influence that decision? Mr. Pagliarini said he thought the forward-thinking of those behind the bills were there would

be incentives, but the supporters of the bills were not present, so he didn't want to speak for them. Mr. Prakash recommended tabling the discussion until the next meeting.

Discussion on next steps and draft report

Mr. Pagliarini asked the group if they want to invite the bill sponsors to the next meeting or to a possible press event at the end of the report process. Ms. Carello said it is always a good idea to have them participate in the discussion rather than hand them a recommendation that may not be what they want. Mr. Prakash said he would not mind hearing from them, along with the other people motivating the initiative. Mr. Pagliarini said he wasn't sure who those other people are, but he would invite Senator Goodwin and Representative O'Grady to a future meeting to give them a progress report and inform them of the process.

Mr. Pagliarini also said that, for this initiative to have some value, there should be a nominal fee attached to the application -- \$10 or \$20. The fee would create a revenue stream to support the program. Ms. DiChiera asked if the program could receive a small part of the \$500 corporate tax to show that this is a benefit of the tax. Mr. Pagliarini said that if the program is free, it will create a perception that it is fluff; \$10 from 1,000 applications is \$10,000 to sustain the program. Mr. McCourt agreed and added that the fee doesn't have to pay for the entire program, but it would help defray the cost. He asked if the fee would apply to each product in the application. The group recommended charging the fee once per business, regardless of the number of eligible products. Another option, Mr. Prakash suggested, would be to generate revenue off the sale of the logo. Mr. McGreevy also suggested that the report could recommend a one-time grant to kick off the program, or they could ask the Rhode Island Foundation for support. Once the value is realized, there could be the option of adding a fee. Ms. DiChiera agreed that discussion of some kind of revenue needs to be included in the report.

Set next meeting date

Mr. Pagliarini thanked everyone for participating in the meeting. The group approved the definition of Made in Rhode Island, approved the language for the self-verification statement, held an initial discussion on program implementation that will continue in the next meeting, had an initial discussion on whether there should be an application fee that will also continue in the next meeting, and agreed to include Senator Goodwin and Representative O'Grady in a future meeting.

The last order of business was the approval of minutes. Mr. Prakash motioned to approve the subcommittee minutes from the January 9th meeting. Mr. McCourt seconded the motion, requesting that the spelling of his last name be corrected. All approved the minutes.

The next meeting will be held on February 27.

Mr. Pagliarini motioned to adjourn the meeting at 12:42 p.m. Mr. McGreevy seconded and all approved.

Approved definition of 'Made in Rhode Island'

"A product created by a Rhode Island business drawing predominantly from a Rhode Island labor force that is fabricated, produced or created by conversion of raw materials, components or parts."

Approved 'Made in Rhode Island' self-verification statement

"I verify that my product (s) meet the 'Made in Rhode Island' program eligibility of having either been created or substantially transformed within the state of Rhode Island and that I will only use the 'Made in Rhode Island' logo for those products that meet this description as defined by the program."