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BACKTALK

LOUIS A. KREN

California Dreamin', California Reality

We've all seen McDonald's commercials. However, you may not know that just about every television ad for that fast-food giant, and every movie or television show using the Golden Arches as a setting, is filmed in the same place. This McDonald's isn't real—just a façade and interior sets, with furniture, décor and uniforms representing restaurant locations worldwide. It's all an illusion, fitting right in with the imaginary world of film and television that calls Southern California home. The faux McDonald's is located in City of Industry, a Los Angeles suburb created in the 1950s specifically to cater to service and manufacturing companies—a forerunner of today's economic development zones. To manufacturers in Southern California, City of Industry provides another illusion, giving the false impression that the state cares about companies that make things.

“It's the Socialist Republic of California,” says one Golden State metalformer, describing what he considers the state's business-stifling regulatory climate.

Metalformers and fabricators I've talked to for an article in this issue (Made in California, beginning on page 18) and a second article scheduled for the October issue essentially agree. They point to excessive workers' compensation costs, a complicated and expensive permit process, high energy costs, overly burdensome environmental standards and a general disdain for manufacturing on the part of legislators statewide.

To be sure, manufacturing faces as steep, if not steeper, uphill climb in California as in any other state, and regulatory heavy-handedness plays a big role. Also high on the challenge list is the location itself. Bordering Mexico and a shrinking ocean away from Asia, the state has metalforming competition galore that has gutted the formerly formidable computer and electronics customer base. And the lack of West Coast metal suppliers and big part-hungry OEMs (including major auto assemblers) certainly doesn't help.

The challenges don't stop there, but for those willing to look hard enough, opportunities exist. Take location, for example. The proximity of Mexico and Asia have made some California parts makers attractive

supplier options for Mexican and Asian companies and subsidiaries. And proximity allows California metalformers to more easily enter into partnerships and joint ventures across the border or over the ocean—business arrangements that can bring much needed efficiencies and revenue back to the U.S. operations.

For metalformers willing to do the legwork, the entrepreneurial spirit that has long typified California brings business opportunities. California metalformers and fabricators display that spirit, too, constantly adapting and capitalizing on their niches, be they markets or production capabilities. They don't stand still, and they can't afford to.

But the state can do more to help, or at least do more to not get in the way. Look at the package that City of Industry puts together to attract business: no city business-license fees, no manufacturing fees, no professional tax and no utility tax, to name a few incentives. And when you read Brad Kuvin's editorial on page 5 of this issue, you'll note the advantages for businesses partaking in Michigan Economic Development Corp. of tool and die recovery zones. These include exemptions on single business tax, state education tax, local personal property tax, local real property tax, local income tax and, in Detroit, utility users tax, for as long as 15 years.

All of these tax exemptions to attract business make me wonder why all those taxes are needed in the first place. A modest simple tax rate, I think, frees business capital for expansion, pursuit of new business and new hires—which in turn swell government coffers. That would be a neat reality, but right now it's about as real as the City of Industry McDonald's.

A handwritten signature in black ink that reads "Louis A. Kren". The signature is written in a cursive, flowing style.

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