

# Legislative Analysis



## SUPPLY CHAIN MANAGEMENT DEVELOPMENT COMMISSION ACT

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**House Bill 6150 (Substitute H-1)**  
**Sponsor: Rep. Steve Tobocman**  
**Committee: New Economy and Quality of Life**

### First Analysis (6-9-08)

**BRIEF SUMMARY:** The bill would create the Michigan Supply Chain Management Development Commission in the Department of Treasury, whose purpose would be to create a plan that would attract, support, market, and "grow" the international trade, supply chain, and logistics industries, by advising on the development and coordination of state transportation and economic development policies.

**FISCAL IMPACT:** House Bill 6104 would establish a new commission, the Michigan Supply Chain Management Development Commission within the Department of Treasury. While commission members will not receive compensation for their services, the bill requires the commission to reimburse the members for the expenses they incur while serving. These requirements would result in additional costs to the department of an indeterminate amount. The amount of the increase would depend upon a variety of factors, including the scope and magnitude of the commission's activity, the amount of expenses the 15 members incur, and any administrative or staffing costs Treasury might accrue concerning the commission.

### **THE APPARENT PROBLEM:**

Supply chain management is the careful alignment of the essential operations necessary to sell goods and services—activities such as parts-procurement, manufacturing, and warehousing. Michigan State University's Department of Supply Chain Management in the Eli Broad College of Business awards over 300 academic degrees in the SCM field each year, and additionally, an equal number of executive education certificates. Other universities also offer programs: Central Michigan University, Eastern Michigan, the University of Michigan, Grand Valley State, and Western Michigan.

Increasingly, the supply chain segments of domestic and international commerce, such as procurement (transportation and distribution systems), manufacturing (production planning), and warehousing logistics (integration of inventory), attract able practitioners, since firms need their value-added services to create a competitive advantage.

Key to successful supply chain logistical operations is adequate supply chain infrastructure—generally thought of as seamless intermodal transportation networks and policies that link the movement of goods by highway, air, rail, and water. These transportation networks are now global. Goods move from ocean containers to rail, air, and truck for delivery to the end user.

An example of a supply chain operation might be a biotechnology company working with a transportation, distribution, and logistics service provider to develop the capability to ship human tissue anywhere in the country within 24 hours.

However, as House committee testimony made clear, transportation, distribution, and logistic companies are not merely in the business of moving and storing goods, but now use information technology and related decision technologies to provide comprehensive services, such as merge-in-transit, cross-docking, vendor-managed inventory, and even some product customization and repair activities.

The Michigan Economic Development Corporation recently released "Transformation: A Strategic Plan for Michigan's Economy 2007-2010." The supply chain industry is not mentioned in the document. Neither is the supply chain industry included in the MEDC's most recent list of "targeted industries."

Michigan is located between two congested supply chain sites, Chicago and Toronto. And as a state bordering Canada, the state's supply chain managers and logistics experts play an increasingly important role in our manufacturing and emerging biotech economy. A state-level strategic approach that integrates an economic development strategy with the state's transportation infrastructure policy and funding that is focused on the border communities with Canada will increase Michigan's economic output. This legislation aims to accomplish that end.

### ***THE CONTENT OF THE BILL:***

House Bill 6150 (H-1) would create a new law to be known as the Michigan Supply Chain Management Development Commission Act.

Under the bill, a supply chain management development commission would be created within the Department of Treasury. Its purpose would be to create a plan that would attract, support, market, and grow the international trade, supply chain, and logistics industries, by advising on the development and coordination of state transportation and economic development policies. The bill specifies that based upon an inventory of industry needs, state strengths, and an economic multiplier impact analysis, the commission would study and design programs to provide incentives for these growth industries, through workforce development, tax incentives, recruitment, marketing, and other activities.

The 15-member commission would have the following members:

- The president and CEO of the Michigan Economic Development Corporation.
- The director of the Department of Transportation.
- The director of the Department of Environmental Quality.
- The state treasurer.
- Four state residents who live within one mile of an international border crossing, airport, rail yard, intermodal facility, port, or other major transportation infrastructure having impact on the local community (appointed by the governor)

from two lists of four or more people, one selected by the Senate Majority Leader, and the other selected by the House Speaker).

- Seven people appointed by the governor who have education in, experience with, or knowledge of supply chain management and logistics, including individuals representing commerce, transportation, border operators, warehousing, local economic development agencies, and institutions of higher learning.

Members of the commission would not receive compensation, but could be reimbursed for expenses necessarily incurred in the performance of duties.

The commission would exercise all of the following powers and duties:

- Advise the governor and appropriate state agencies on methods, proposal, programs, and initiatives involving supply chain management in Michigan that may stimulate state economies, and provide additional employment opportunities for the state.
- Create avenues of communication between Michigan, Ontario, and the federal government of Canada concerning economic development, trade and commerce, transportation, and industrial affairs concerning supply chain management.
- Survey and audit how other states have used supply chain management capabilities to attract industry.
- Determine which industries in Michigan would benefit from supply chain coordination.
- Make recommendations to the governor and the legislature about how to do all of the following:
  - change the tax structure to make Michigan competitive with other jurisdictions;
  - assist small-sized, medium-sized, and large-sized companies in accessing various grants, tax abatements, and other incentives;
  - improve access to credit or financing resources;
  - improve workforce training and retraining support to maximize productivity;
  - expedite regulatory oversight to facilitate expansion and new investment;
  - reduce regulatory burdens;
  - develop growth strategies for targeted industries; and
  - prioritize and coordinate investment in Michigan's transportation infrastructure.
- Develop an integrated state strategy regarding policy to global supply chain operations.

## ***ARGUMENTS:***

### ***For:***

According to testimony offered by a spokesman for Michigan State University's Department of Supply Chain Management, "regional supply chain investments around the state require broad oversight to insure effective resource utilization. Since most of the current organizations involved either focus on modes (highway, rail, airport, and

ports) or regions within the state, there needs to be a commission that can look at decisions from the total supply chain perspective, just as most firms do."

The MSU spokesman continues: "In today's global market, firms seek manufacturing and supply chain sites that minimize the total supply chain cost for meeting customer and consumer demand. It is very important that state resources (either through infrastructure, strategic investments, or tax incentives) be synergistically employed to optimally support overall state job growth rather than making duplicative investments or investments in supply chain assets which will not likely enhance job growth. The Commission is critical to take that overall perspective and offer guidance for policy makers."

***POSITIONS:***

The Michigan Economic Development Corporation (MEDC) supports the bill. (6-5-08)

Michigan State University's Eli Board Graduate School of Management supports the bill. (6-5-08)

The Detroit Regional Chamber of Commerce supports the bill. (6-5-08)

The Genesee Regional Chamber of Commerce supports the bill. (6-5-08)

The Economic Development Alliance of St. Clair County supports the bill. (6-5-08)

The Detroit/Wayne County Port Authority supports the bill. (6-5-08)

Evans Distributions Systems supports the bill. (6-5-08)

The Michigan Infrastructure and Transportation Association supports the bill. (6-5-08)

The International Warehouse and Logistics Association supports the bill. (6-5-08)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.