

National Association of Regional Councils

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Economic Development Information Coalition

Economic Development Today



Telecast Summary of February 4, 2004

“Regionalism – Maximizing Effective Partnerships for Economic Development in an Era of Scarce Resources”

An article made possible through a cooperative agreement with the U. S. Department of Commerce’s Economic Development Administration and written by Peggy Tadej, Environment and Special Projects Director for NARC.



Dr. David Sampson, Assistant Secretary for Economic Development (right) Deborah Wince-Smith (left), President, Council on Competitiveness engage with telecast moderator in a discussion on partnerships.

The February 4, 2004 national satellite broadcast aired from Washington, D. C. and was kicked off by Dr. David Sampson, Assistant Secretary of Commerce for Economic Development Administration, who in opening remarks spoke about two key drivers in the economic development today:

- We live and compete in a global economy, and
- We live in an era of scarce resources.

Dr. Sampson proceeded to articulate why the fragmentation of limited resources at all levels calls for a focus on cluster development to help create a critical mass. Government has a active role in the process and has three responsibilities that include:

- Setting the context for the competition;
- Enhancing the business environment; and
- Facilitating a higher level of regional comparison.

A zero-sum subsidy race was described as a region attracting or relocating a company from a neighboring region. Dr. Sampson explained that the country needs to move from a subsidy race to one of building regional assets. Long-term economic prosperity is based on innovation and increasing productivity and a cluster approach links all the elements of the supply chain to build a competitive-based economy.

Deborah Wince-Smith, President for the Council on Competitiveness explained the benefits of a cluster strategy as an approach that builds on the traditional strengths of communities using innovation and developing new products and services. The U.S. cannot compete on a low-wage strategy with China and India, or on the exploitation of resources any longer. The U.S. has established a baseline, and needs to move aggressively into new global competition that is not based on a wage structure, but rather, on competition for high-value, knowledge-based activities.

Congresswoman Heather Wilson (R-NM), was asked about what she considered the federal role in supporting technology transfer. She stated that it was not the government's role to create wealth although it should create conditions to attract small businesses and create jobs. The government has invested in research and development. It is the private companies that have the ability to license the technology and to accomplish it easily. As the Representative Wilson pointed out, New Mexico is home to two national installations (Kirkland Air Force Base and the Sandia National Laboratory) that combined generate about \$3.5 billion in research and development dollars yearly. The ability to license this technology for other applications and get it into the market place is best done by the private sector. The best incentive government provides for economic development is to make available academic resources that assures American citizens are educated. An intelligent workforce translates into wealth in a 21st century global environment.



Congresswoman Heather Wilson represents the First Congressional District of New Mexico and was elected to serve in the U. S. Congress since June 23, 1998.

The programs that have been particularly important to New Mexico are those that provide tax relief that creates jobs and allows small business to make community investments. Representative Wilson is an advocate of technology transfer. In her district, the experience is that small businesses have difficulty in networking and getting licenses from labs and into the market place.

Congresswomen Wilson pointed out that 60 percent of the patents last year were traced to basic research funded by the federal government. New Mexico has military and energy research that has universal applications attractive to companies. These companies need to take advantage of this opportunity. On the question on how to diversify, Representative Wilson believes the best economic development approach is to begin with a region's assets and to build on these for future economic growth.

Former Governor of the State of Michigan, John Engler, currently President of the State and Local Government Division for EDS Governments Solutions, discussed successful practices during his tenure as Governor. To be successful in a region or state, communities need to inventory resources. Governor Engler explained he was responsible for establishing the award winning Michigan Economic Development Corporation (MEDC) that has a unique governance structure because it is a multifaceted partnership that includes the public and private sectors, state and local governments, and local communities. Each participates as a corporate partner in the corporation. Strength in numbers worked because it promoted linking different regions in the state with academic programs designed to help companies. He provided several examples of how MEDC linked colleges and universities with businesses. For example, research partnerships were formed that helped with the development of a car of the future that would use a hydrogen engine or a new generation of medicines. These partnerships not only fostered research, but helped create jobs and wealth. He considered government investments incentives for creating a critical mass that led to success. He stressed the importance of identifying weaknesses and rebuilding them to assets or strengths. In the State of Michigan, communications was the powerful tool that provided best practices to those who were behind to help them catch up.

Governor Engler confirmed that no state can operate exclusively on its state budget. Private sector dollars are needed to help leverage investment dollars. In Michigan, they managed to keep the process nonpolitical by creating a peer review process to filter the full range of ideas generated by communities. Perhaps, only five ideas were accepted for implementation, but they were those with the most potential. The state provided investment capital and support at the front end to assure

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implementation of the ideas. Governor Engler pointed out that the failure rate is greater than the success rate when states invest in new ideas.

When asked about diversification, Governor Engler responded that there were many new technologies emerging in transportation, such as the spin-off of secure cargo, cargo identity, and cargo security. These technologies offer opportunities related to the auto industry and have great potential for development in the State of Michigan.

Mayor Dennis Clough, City of Westlake in Ohio joined the government panel to provide his perspective. Mayor Clough boldly stated that the geographic boundaries of cities do not provide the resources necessary to effectively compete regionally, nationally, or globally. A small community such as Westlake had to recognize that as the community grew, so did the region, and as the region grows, so does the community. Collaboration and partnerships with other local communities, within the region, and with the state and federal government are critical.

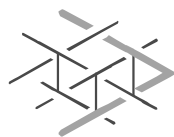
Mayor Clough described the types of accomplishments that Team North East Ohio of Westlake, Ohio was trying to achieve. In the state, most business expansion comes from existing businesses. The City of Westlake conducted a survey to help them understand community assets and to identify ways the city could work better with business. The study yielded highly valuable information and was effectively used by the City of Westlake in planning for future growth.

Paul S. Shirley, CEO of Qynergy Corporation represented the private sector on the panel and described how he became involved with cluster development. The business community wanted to shift the focus of scarcer government funds from the National Labs and replace it with a new infrastructure of support. Mr. Shirley serves as chairman of Next Generation (Next Gen) a company that performed a study to identify core competencies in the area. As a result of this study, the business community was able to shift the process of developing technology from National Defense, to a focus on how to market new technology that would bring new dollars to the region. Over time, additional clusters were identified and Next Gen added Media Digital to the cluster. They were able to increase revenues in one year from \$8 million up to \$80 million.

Mr. Shirley's company was formed after he licensed advanced energy technology from Sandia National Laboratory and the University of New Mexico. When he started out, he had to overcome several barriers, like tax liabilities, how to partner with the university, and dealing with the federal government on technology transfer issues. In addition, he had to get the region to collaborate. He referred to the entire process as "collect the dots and connect the dots."

Randall Kempner from the Council on Competitiveness and Executive Director of the Center for Regional Innovation gave successful examples of innovative techniques of leveraging resources through diverse partnerships. He talked about Philadelphia and Southern California and encouraged urban and rural areas within a region to start talking together to find ways to prosper.

The telecast moved quickly with many good and thought-provoking questions from viewers that certainly accounted for a more open format and allowed tailoring the program to meet more of your concerns. The next telecast will be on May 4, 2004. The topic of the telecast is: "New Directions and Opportunities in Rural Economic Development." NARC is looking for three case studies and if you are interested, please do not hesitate to contact Peggy Tadej at 202.986-1032, extension 224. NARC is very interested showcasing elected officials during the next telecast.



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Building Regional Communities