



Connecticut Business & Industry Association

TESTIMONY OF
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CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION
SUBMITTED TO THE
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE
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LEGISLATIVE OFFICE BUILDING
STATE CAPITOL
HARTFORD, CONNECTICUT

Good day. My name is Peter Gioia. I am the VP and economist for the Connecticut Business and Industry Association (CBIA). CBIA represents about 10,000 firms, which employ about 700,000 women and men in Connecticut. Our membership consists of firms of all sizes and types, the vast majority of which are small businesses employing fewer than 50 people.

CBIA thanks the committee for taking up the study of CONNECTICUT'S ECONOMIC COMPETITIVENESS IN SELECTED AREAS and wishes to comment about this topic and your staff's draft findings. The better our business climate is the better Connecticut will be able to compete with other states to grow our existing businesses here as well as bring in businesses from elsewhere and the jobs and revenue they generate. These jobs make the economy stronger and produce additional tax revenues that make it easier to pay for state and local programs and services. At this time no other topic is a more pressing matter.

Before I provide specific comments I must mention that as someone who has studied business competitiveness and has surveyed Connecticut businesses for over twenty years the scope of the study is severely limited by not looking at business costs. Survey after survey shows that executives, who make location, expansion and investment decisions – see costs of doing business as a paramount factor in many decisions and as a factor in almost all decisions.

An important step that the committee can take as it pursues this study is to actively engage and communicate with the Department of Economic and Community Development as that department has just completed a strategic plan. Working jointly with DECD the committee could produce an invaluable service of not just producing a solid report, but rather producing recommendations that could be both bipartisan in nature and supported by both the executive branch and the legislature. The challenging nature of our economic crises needs such cooperation and coordination. Please seize this opportunity.

There are seven points I'd like to comment on regarding your findings. They include:

- interagency cooperation
- economic base industries
- business retention and expansion
- business recruitment
- international business
- types of economic development approaches
- support for economic development strategies

A critical area which we believe requires substantially more attention in your report is state interagency cooperation on economic development. We talked to your staff at length on this and while it is mentioned, we believe that other than cost issues it is the most important reform for economic development that could be accomplished. It is also quite achievable as it does not demand more funds, but rather a critical change of attitude towards and organization in support of, economic development. DECD can do everything right to help companies expand, grow, or locate here and ultimately fail in achieving these goals if there is not a coordinated effort with other agencies including at a minimum – DEP, DOT, DRS, OPM, DPUC, Education and Higher Education to achieve the same goals.

Many of our competitor states have agencies that *work as a team on a regular basis* with their economic development efforts. At best we have one shot "pick up" teams cooperating on individual projects. Often times we have no cooperation or agencies that cause delays or disruptions in development. This does not mean that agencies ignore or abandon their legal obligations and authority, but rather that they work together to streamline permitting, to customize training/education, or to ensure effective transit options for a project.

Not all private sector firms are or should be equal when it comes to economic development attention. We believe not enough attention in government is given to fostering what we call "economic base industries." These firms are business that manufacture product or create services here that are then sold outside of here in other states and around the globe. The resulting sale brings money back here which can be reinvested in growing operations. These firms that do things like manufacture medical devices, conduct biopharma R&D, provide insurance and market financial services. They are absolutely critical to our economy. They in turn create jobs and wealth in other sectors. More emphasis should be put on these firms and less on possibly losing alcohol, gas or cigarette sales to neighboring states in your study.

CBIA believes that one of the most important things that solid economic development policy can do is to help existing business retain and expand operations in the state. We will get a lot more activity in a shorter period of time creating an environment whereby existing firms choose to grow here rather than in another state or overseas. Now we realize that for some firms growing jobs here means doing business or making some product elsewhere as well, but firms should always consider Connecticut in expansion plans. The state economic development efforts should be more focused here.

Of course, business recruitment is also needed as a strategy but that should be targeted. But I think the focus here needs to be on where we can get our best results for our efforts. Survey work by Team New England a few years ago noted that Western Europe would be our best opportunity to seek companies to locate to the area. They also noted that a cooperative effort between New England states might be a better strategy than any one state going it alone.

International business was correctly highlighted as a key area in the report. Export and export growth are vital for our state. Nationally exports make up a large portion of many state's GSP's but Connecticut could take better advantage of these opportunities. A recent briefing from economy.com showed southern states with 9-9.5% of GSP from trade whereas Northeast states have around 6%. Staffing is down at both DECD and at US DOC export office in Middletown for trade assistance. While we are not suggesting the state hire new or hire back staff perhaps this is a good time to reallocate resources and train new assistance staffers.

The report discussion on types of economic development approaches raises some concern. CBIA does not believe that any of the strategies discussed is a silver bullet to our problems or the sole path to pursue. As I discussed we believe that creating a better cost climate for business is important – but not necessarily as a way to attract more companies –we see it as more important for retention and expansion of existing businesses. We certainly believe it is important to help create the right environment for up and coming and next generation industries. That why we feel things like R&D tax credits are vital and why we need more science, technology, engineering and math (STEM) education of our youth. But, in doing so we cannot ignore the fact that over the medium term existing economic base industries will create or cause the creation of most new jobs and opportunities. In addition, while we believe that having a climate conducive to innovation is essential for the state it is just as important to create a climate that allows the innovation to be manufactured, distributed and marketed from our state. The latter activities create far more jobs than does merely the innovation.

Finally, there needs to be real support for economic development strategies that are decided upon. Many economic development strategies and initiatives have been passed by the general assembly but have not been well funded or consistently and thoroughly implemented. We tend to do economic development in fits and starts in the state and we have never funded it as anything like a priority.

Legislatures often pass "one size fits all" legislation which would be a mistake for improving our economic competitiveness. We believe economic development opportunities and challenges are unique enough that DECD requires a lot of flexibility in achieving its goals. We hope the recommendations from the committee will focus a lot more on "process." Agencies cooperating together on economic development, state and local cooperation, cross state cooperation, executive and legislative cooperation, removing bureaucratic roadblocks –these are the types of things we think will make economic development faster, more effective and more successful in the state

Thank you for the opportunity to submit this testimony.

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