

Detroit Regional Chamber
Testimony to
New Economy and Quality of Life Committee
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By
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Mr. Chairman and members of the committee, thank you for this opportunity to come before you and give our views about economic development in Michigan. I'm Blaire Miller, Senior Vice President of Economic Development at the Detroit Regional Chamber. I manage the Detroit Regional Economic Partnership (Partnership), which is the economic development arm of the Detroit Regional Chamber. The Detroit Regional Chamber was founded in 1903 and is the largest local Chamber of Commerce in the U.S. with more than 20,000 business members across our region. Economic development for the Detroit region is our highest priority.

Our Partnership is a group of the top 100 economic development organizations and businesses in Southeast Michigan that regionally coordinate business attraction, research, and Michigan business diversification strategies.

The Partnership exemplifies regional cooperation in economic development by its very business model that was formed 10 years ago. Partners invest in the organization to support business attraction through marketing of our region around the world and business diversification for our local businesses that have lost revenue from traditional sources. Our Partnership investors join together for frequent investment missions to Asia and Europe and North America to market our Region's strengths for growing businesses in North America. We bring home leads for our public/private partners for further collaboration to land new investment and jobs for our Region. To date, we have brought in \$3.8 billion in new or expanded investments and 12,000 jobs plus retained jobs through our supplier diversification program called Open Innovation. We are home to more than 1300 foreign-owned businesses out of the State's 3700 that bring in significant payroll taxes and across the State employ one out of 11 manufacturing workers. We have worked with the MEDC and the Governor's office to recruit many of these companies.

We have identified the following suggestions to add value to economic development collaboration between the state and regional entities:

- 1) The alignment of all Federal funding sources to our State incentives is critical and leverages our resources.
- 2) The focus on emerging industries and technologies is critical to our State's long term health, and the MEDC has developed core expertise around several emerging industries and we hope this expertise is maintained across administrations.

3) Visits by the Governor to our top foreign prospects are critical to recruiting these foreign companies and are necessary to compete against other States and countries that have effective foreign investment programs.

3) Coordination of prospect lists need to leverage state opportunities with local resources with regular strategy sharing with economic developers across the State.

4) The new MEDC e-newsletter format promotes the wins we are having in the State and this "good news" is critical in showing the State's collective results. It has been difficult to see a State-wide list of success stories to learn what is working and how we can leverage these wins.

5) The Keep Michigan Working teams around workforce development, business attraction and supplier diversification have all helped us to better coordinate our work efforts and budgets around these strategies. This or a similar statewide structure should continue into the future.

Specific to targeted economic development needs, our members tell us they need incentives that support emerging alternatives energy demonstration/prototype phase one projects. For example, to do a solar/wind/water project, the new company needs to prove it works in Michigan's climate. Field testing takes 1-2 years and incentives apply only after manufacturing begins. Needs range up to \$7 million for a new wind turbine demonstration -- all in installed cost.

Additionally, we need stronger research and development tax credits that encourage innovation and give tax credits for venture capital/angel funding. We have only had a R&D tax credit for 2 years and it really does not influence investment behavior because this is no predictability of the benefit. Other Midwest states such as Minnesota and countries like Canada are making these credits easier to access and provide real predictable benefits by providing one for one tax deductions over certain R&D expenditure amounts. If we are serious about innovation than let's provide real tax incentives to support innovative engineering solutions. If we want local investors to step up to new innovation, let's provide tax credits that reduces their investment risk position and shows local companies that we not just helping out of state companies to invest here.

Incentives are also needed to help build energy requirements for new companies. Many times we don't have the best fit with our existing facilities and the utilities can't be expected to subsidize these costs.

When overseas recruiting leads, we often hear that we don't have a State strategy on how to build relationships. One example is in China, where we have various delegations traveling, with perception that we are not coordinating our State-wide messaging and recruiting. We have established an event calendar through our Economic Development Council of Southeast Michigan which includes the MEDC to coordinate our event/mission travel.

At a higher level, we believe the state serves a legitimate role in economic development and will be most successful by applying a coherent and consistent strategy over time. Frequent changes in direction by every Governor and at the direction of the legislature does not instill confidence in local business growing here nor businesses considering Michigan for expansion.

The MEDC provides support needed for businesses needing help here. While not always perfect – we believe this is an agency that deserves support and continuation.

Additionally, we believe there is a need for economic development tools that provide incentives to employers to grow jobs in Michigan through reduction of tax barriers. Overall, programs like MEGA have been shown to be efficient and effective at bringing jobs to Michigan. The current debate over additional legislative oversight of MEGA should be carefully considered and limited to approaches that encourage job growth, not discourage it.

While Michigan's current budget predicament likely prevents us from instituting a "closing fund" similar to some other states, it's a laudable goal worth review and preparation for a time when Michigan can consider it.

Michigan hurts itself by providing incentives on one hand while taking away the advantage with burdensome regulations on the other hand. Discussions to apply new regulations as ergonomic standards reduce the effectiveness of investments in economic development. Similarly, lack of certainty and clarity of environmental regulations applied by the former Department of Environmental Quality (now MDNRE) discourage re-use of urban brownfield sites so abundant in Detroit and surrounding communities.

Businesses continue to raise concerns about the complexity and burden of the Michigan Business Tax (MBT). This tax was a creation of political compromise by the legislature and not made as a logical, legitimate tax that compares well to other states and countries. Similar to other states, the MBT includes a low rate corporate income tax. Different than other states however, is the inclusion of a low rate gross receipts tax. Together, these two elements created a business tax that is unlike any other in the world and is difficult to understand for small and large business alike. Shifting the MBT to other businesses or individuals is not the answer for economic development in Michigan. We must seriously address our tax structure in order to be attractive to all businesses while maintaining targeted economic development tools that help us compete with other states.

In summary, we believe that our Region's economic developers are learning how to better collaborate together and leverage our respective budgets to recruit and retain companies that will move the "new Michigan" forward. We need an active State entity that can provide the linkage to Federal support and will act as the leader for new investment opportunities. We are proud of our State and what it has to offer and we need to be flexible on how we address new attraction, innovation and diversification solutions.

