

Date: 13 February 2003
Time : 9.00 - 11.35am
Venue: Shotton Paper, Deeside Industrial Park, Flintshire
Title: EDC visit to the United States of America: 6-12 October 2002

The attached report was prepared and agreed by the Members of EDC who made this visit.

VISIT TO THE UNITED STATES OF AMERICA: 6-12 OCTOBER 2002

Introduction

1. The Economic Development Committee visited the United States of America at the invitation of the US State Department under their Voluntary Visitors Programme. The brief proposed by the Committee is attached at Annex A. The programme began in Washington and focused on the role of Federal Government. This was followed by a visit to Pittsburgh for discussion with 'local' officials in an area which had faced many similar problems to those experienced in Wales. The overall programme was arranged by the US State Department – the part in Pittsburgh was arranged by the Pittsburgh Council for International Visitors.
2. The terms of the Voluntary Visitors Programme are that meetings and discussions should be open and informal. In respect of this, all reports on discussions should be considered as unattributable. The Committee very much welcomed the openness and frankness shown to it in all the discussions.
3. The Committee wishes to place on record its very warm thanks to the US State Department and the many people and other agencies involved in arranging such a valuable and worthwhile visit for the Committee.
4. Members learned a great deal, and made valuable contacts, in the course of the week. Inevitably the impressions gained reflect the relatively small number of people and organisations met on the visit – and there are dangers in generalising from these. In recognition of this, and the informal nature of the discussions, this report summarises the main conclusions from the visit in general terms. The report comprises the views of the Committee alone.
5. The members of the Committee available for the visit were:

Chris Chapman
Alison Halford

Alun Cairns
Mick Bates
Dafydd Wigley
Phil Williams

6 They were accompanied by John Grimes and Siân Wilkins the Committee's Clerk and Deputy Clerk.

7. A list of organisations and people met is at Annex B - the full programme for the visit (Annexes C1 and C2) is available in hard copy.

General

8. The Committee visited the United States to learn about experiences there in economic regeneration and broadband ICT. The Pittsburgh region has some 2.6 million population and, like Wales, is undergoing economic change following the decline of its coal and steel industries. This has led to major changes in the area and, for example, the outward migration of some 350,000 people looking for work.

Partnership

9. The clearest message to come out of the visit was the strong philosophy of partnership between the public and the private sectors. This was accompanied by a 'can do' attitude. There were few (if any) instances of complaints that something did not happen because someone else, such as the government, had not done something. Rather, the attitude was one of finding a solution to a problem. That said, there was an impression that in practice organisations were not as coordinated as they would have liked – and that perhaps there were too many organisations with overlapping responsibilities

10. Behind this there seemed a clear perception of roles. The provision of infrastructure such as roads and water was ultimately the responsibility of government, even if for a particular development they were constructed by the private sector. On the other hand, it was clearly the role of the private sector to invest in property and productive assets. This attitude was reinforced by a long tradition of private sector investment through charitable and industrial 'foundations' and a long standing corporate commitment to investing in social infrastructure. In fact, a recurrent theme in the visit was the part played by private-sector foundations which invested 'old money' in programmes to encourage economic regeneration. While investment by commercial organisations might be seen as 'enlightened self-interest', it came across as part of a much broader message that it was good for everyone in a region to have a strong, vibrant economy.

11. Another particular theme was the critical importance of roads in any development. This

was the first priority in developing, or redeveloping, an area and while environmental concerns were considered there seemed to be an accord between the different interest groups that allowed roads to be built to serve areas where they were needed.

12. There was evidence of close links between business and the academic sector in various discussions. A particular example of this was the Pittsburgh Digital greenhouse which had been started in 1999. This involved industry, universities and public sector bodies and sought to build an industry cluster around the application of System on a Chip technology. They considered this to be a major development. We were also told it was considered far superior to the traditional incubator projects which they considered could not survive without continual injections of public money. There was also a recognition of the need to combine technological expertise with business know how. The similarities between Wales and the Pittsburgh Regions would suggest there are good opportunities for links between the respective universities.

13. The broad approach to development was reflected also in the priority attached to the social and cultural fabric of the area. Investment in the arts, sport, and housing were just as important as investment in economic production.

14. Alongside the 'can do' attitude was a very clear pride in the Pittsburgh region and very little evidence of competition between areas within the Region. For example, there seemed little objection to investment going to the City of Pittsburgh – people in outlying areas saw the centre's success cascading down to them and, indeed, said that to the outside world they might describe themselves as coming from Pittsburgh.

Financial Support

15. At an early stage of the programme the Committee met the federal Economic Development Administration to talk about the schemes of assistance they have available for infrastructure and similar investment. Although there was some support available for small businesses, they saw funding for commercial investment as a matter for the financial markets.

16. At the local level, authorities had the powers to offer tax concessions in areas where they were seeking investment. These came across not so much as subsidies but more as a means of providing a competitive edge: 'a deal' to attract an investor. Such schemes were not underwritten from a higher level – and hence constituted a cost for an area already suffering from economic decline.

17. In addition, because they involved a loss of local revenue, it was necessary for them to be approved by the School Boards (education authorities) who were the main recipients of local taxation. The sense of partnership that we noted throughout the visit was reflected in the fact that it was generally possible to obtain such approval. This also underlined the critical importance that everyone placed on this form of incentive.

Evaluation/Cost per job

18 On various occasions the Committee asked people from public authorities about the cost per job of their various schemes. In most cases they simply did not know and, where figures were quoted, they did not seem to be based on any sophisticated analysis.

19. It was suggested to us that this was not surprising and that, in fact, very little evaluation was done on the schemes operated in the Pennsylvania. Moreover, where it was, unfavourable results tended to get buried.

20. Few of the people the Committee met saw public sector money as critical to economic development – it was taken if it was available. But if not they simply looked elsewhere for funds. One might conclude that the lack of interest in cost per job or evaluation reflects the private sector lead in regeneration.

Areas of Decline

21. We were told that the Pittsburgh region had seen some 350,000 people leave as a result of economic decline. In some areas there was a particular concern about the loss of young people because, if this was not checked, it would result in an increasingly dependent population. In Washington County we were told there was an active policy to retain young people – although we were not given any details of how this was pursued.

22. However, there seemed a willingness to abandon areas if in the long term they did not have an economic future. Reference was made also to the difficulties faced by farmers and again the response was that unprofitable farms were abandoned and neglected. There seemed little recognition of the role of farmers as guardians of the countryside – maybe there is too much countryside for this to be feasible.

Planning

23. The federal Economic Development Administration spoke about assistance they offered to 'economically distressed areas' and stressed that this needed to be consistent with the development plan for the area. The Department would also assist with the preparation of such a plan. However, we found very little evidence of such plans and, it was suggested to us that, in practice, there was very little planning of economic regeneration. In part, this seemed to reflect the organisation of local government in the US. The obvious level in terms of population size would be the County – but since they had very few powers in respect of economic development there was little incentive for doing this. What was done we were told tended to be in the academic sector.

Prisons

24. It was suggested on a couple of occasions that the location of a prison in an economically distressed area was a good way to create jobs. It offered direct employment in the prison as well as opportunities for suppliers of facilities and services - and a boost to tourism from visitors to the inmates.

Support Agencies

25. We came across a large number of bodies involved in economic regeneration. Most of them involved a mixture of public and private financing and operated on a non-profit basis. The Committee's impression was that there was a confusing plethora of such bodies – but very few people in the US commented on this as a major issue. It was unclear as to whether the range of bodies was much different to those in Wales.

Wales' Image Abroad

26. Prior to the main programme we had an informal briefing from the UK Embassy in Washington and their main message was that Wales' image in Washington was not as strong as that of Scotland and Ireland. Reference was made to the large number of US citizens who considered they had some Welsh origins – and a number of people the Committee spoke to confirmed this. A figure of 5m was quoted although subsequent enquiries put the confirmed total closer to 2m.

27. In the course of the visit, we asked various people about their image of Wales and although one or two claimed family links, it confirmed the view that there was only a limited awareness of the country.

28. The lack of perception about Wales is not surprising and probably reflects the more widely-known history and longer-standing links between Scotland and Ireland and the US. It was something that the Embassy thought Wales needed to address. Their view was that the most effective strategy would be to build on our strengths rather than trying to market Wales 'generally' and to concentrate on areas of the US where there were existing or obvious links. There is also a need to consider Wales' involvement in schemes such as the Marshall programme. While this brings overseas people to the UK – the impression was that few of these come to Wales. One possibility, that occurred to us, was that each Embassy should have someone designated to act as the link and contact point on Welsh issues

XplorionQuest

29. Members were impressed with the 'Virtual Flight Theater' at Xplorion in Pittsburgh which offered simulated flights to locations in the Region and the ability to examine them at different

levels of detail. Such a system could be of enormous value in assisting potential investors choose between different sites, and perhaps in selecting a shortlist for visiting. Clearly there would be a considerable amount of work needed to develop such a system in Wales, and we did not investigate this or the costs, but it seemed something that was worth considering in a little more detail.

Two social events

30. A particular feature of the programme were the dinners for Committee members, in groups of 2 or 3, with an American family in their home. Some families had been doing this (voluntarily) for many years and it was a clear and tangible demonstration of the commitment by American people to welcoming Committee members to their country and into their homes. In every case Members considered this a highlight of the visit. It was a welcome and relaxing break in the programme, it was an opportunity to meet people and their families out of a work setting, and a chance to talk about wider issues. The Committee wishes to place on record its very great appreciation to everyone involved in this part of the programme. It also considers that we should try to adopt a similar approach for visitors coming to Wales.

31. A second social event was the reception given for the Committee by the

the St David's Welsh American Society of Washington, the Welsh Society of Fredericksburg, Virginia and the Celtic Studies Center of Marymount University. This was a valuable example, again of the hospitality extended to the Committee on the visit, by American people and, again, an opportunity to meet and talk to people informally. These societies clearly perform a valuable representative role on behalf of Wales and these are valuable links which should be maintained.

Broadband ICT

32. A major difference between the UK and the US was the large number of small telecommunications operators (despite the perception that the Bell telephone company reigned supreme). There was also a much deeper integration between Broadband, telephone, cable television and other services. Successful marketing seemed to depend on 'packages' of supply with cross subsidies supporting less profitable elements. For example, we were told that (in one area) customers would pay around \$25 per month for broadband – but since the cost of providing it was \$35-40 it was only viable as part of a package of services.

33. The main message here seemed to be the need to keep options open. Cost considerations were critical and therefore using existing infrastructure and connections wherever possible was important providing the service standard could be maintained. Different technologies applied in different situations and, given the rate of change, too much investment in any particular technology could result in a business being left behind in the future.

Summary of key points

The key general issues arising from the visit were:

34. The need to promote the image of Wales abroad. Particular issues that arose in this context are:

- a greater involvement of Wales in the Marshall programme;
- the introduction of a scheme involving individual Welsh people hosting visitors to Wales;

35. The importance of partnership – between the private sector, the public sector, business, and universities. And a clear attitude of working for the common good.

36. Key considerations for economic regeneration in the US were:

- Local tax raising powers as the basis for offering incentives to businesses to locate in particular areas;
- Roads and infrastructure generally;
- The availability of cultural and sporting facilities.

37. On Broadband the main message was the need to keep options open and to be flexible in both the technology and the terms of any products offered to the public.

Particular issues:

38. XplorionQuest which offered 'virtual' flights to demonstrate locations in various parts of Wales.

39. The Pittsburgh Digital greenhouse appeared, from what we were told, to be an ideal model of an approach to development that we should wish to see in Wales. It seems to warrant further investigation.

40. A number of contacts were made on the visit which individual Members are pursuing. One of particular note was Roger Cranville, Senior Vice President, International Business Development at the Pittsburgh Regional Alliance who is keen to assist Welsh companies wishing to establish trading links with Pittsburgh. Mr Cranville is a UK ex-patriot and Senior Vice President and Executive Director of the British American Business Council for the Pittsburgh Region. He is visiting the UK early in 2003.

41. The location of a prison in an area can be a valuable economic opportunity

ANNEXES

- A** Brief proposed by EDC to the US State Department.
- B** Organisations and people met.
- C1** Programme arranged by State Department – available in hard copy only.
- C2** Programme in Pittsburgh arranged by the Pittsburgh Council for International Visitors – available in hard copy only.
- D** List of documents received
- E** Copies of business cards received – available in hard copy only.

ANNEX A: BRIEF PUT TO US STATE DEPARTMENT PRIOR TO VISIT

Economic regeneration and support for small businesses.

The Committee would be interested in learning about ways in which authorities in the USA have approached economic regeneration in areas of particular need. Particular interests in Wales are:

- the encouragement and formation of new and locally-based businesses in areas facing problems arising from rurality, peripherality and the consequences of dealing with the loss of a major employer – ie the steel industry.
- approaches and incentives used to encourage a more diverse economy and greater involvement in the labour market by economically inactive people;
- the types of financial and non-financial support offered to businesses and potential entrepreneurs, the way it is marketed and targeted; analysis of its effectiveness.

Broadband ICT

The Committee is interested in the development of broadband ICT which it sees as a major area for development in Wales. Penetration in the US is significantly greater than in the UK.

We would be very interested in the USA's experiences in this sector and how it has achieved

this high level of penetration and the challenges faced and how they were overcome.

In Wales issues such as rurality are again a major factor and we would be interested in learning about technical considerations such as the advantages and disadvantages of using optic fibre, wireless or satellite for broadband communication.

**Committee Secretariat
National Assembly for Wales
July 2002**

ANNEX B: ORGANISATIONS AND PEOPLE MET

Sunday 6 October 2002

UK Embassy, Washington

Bob Peirce – Head of Press and Public Affairs,

Monday 7 October 2002

Office of International Visitors, US Department of State

Donna Murphy – Programme Officer,

Economic Development Administration, US Department of Commerce

David McIlwain – Director, Office of Public Works

Organisation for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO)

Steve Pastorkovich – Business Development Director and Senior Policy Analyst

Committee on Transportation and Infrastructure (and sub-Committee on Economic Development)

Dan Shulman, Counsel

Appalachian Regional Commission

John Cartwright, Director Regional Planning

Evening reception hosted by:

The St David's Welsh American Society of Washington

The Welsh Society of Fredericksburg, Virginia

The Celtic Studies Center of Marymount University

Dr James Bundschuh – President

Dr Rosemary Hubbard - Dean of Arts and Sciences, Marymount University

Dr Chris Snyder - Head of the Celtic Studies Center

Tuesday 8 October 2002 – travelled to Pittsburgh

Pittsburgh Regional Alliance

Roger Cranville – Senior Vice President, International Business Development and Senior Vice President and Executive Director of the British American Business Council for the Pittsburgh Region.

Xplorion

Eric Bitar

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Wednesday 9 October 2002

Regional Industrial Development Corporation of South Western Pennsylvania (RIDC)

(site visit)

Brooks Robinson, Jr – Vice President and Director of Marketing

Rebecca Spencer – Marketing Manager, RIDC

Three Rivers Connect (3RC)

Ron Gdovic – Executive Director

George Heinitsch – Chief Technology Officer

Urban Regeneration Authority of Pittsburgh (URA)

Dr Mulugetta Birru, Executive Director, URA

Robert Rubinstein, Manager, Business Development Center

Dennis Davin, Director, Housing, URA

Angelo Taranto, Manager, Project Development, URA

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Thursday 10 October

Washington County Chamber of Commerce

Jeff Kotula – Executive Director, Director of Economic Development

Kerry Fox – Redevelopment Authority of the County of Washington

Pennsylvania House of Representatives

Honourable Jeffery Earl Habay

Center for Economic Development, Carnegie Mellon University

Jerry Paytas – Associate Director,

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Friday 11 October

Institute of Politics, University of Pittsburgh

Dr Dennis McManus – Director

ANNEXES C1 and C2: visit programmes - available in hard copy only.

ANNEX D: LIST OF DOCUMENTS RECEIVED

- 2 Brief background note on **Department of State** in programme.
- 3 Sustaining Communities, Creating jobs: various leaflets on the work of **the Economic Development Administration**, its organisation and programmes. These also include notes on their investment policy guidelines.
- 4 **Organisation for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO):**

Rural America: Connections To The Future:
 1. The Basics of Wireless Telecommunications Policy (White Paper 4)
 2. The Historical Perspective of Public Policy, Independent Telephone Companies and Universal Service (White Paper 3)
Round Table – 2 issue of the OPASTCO bi-monthly journal.
- 5 Background note on **Economic Development Subcommittee** in programme.

Compilation of selected economic development and hazardous materials and pipeline transportation laws.

SouthEast Crescent Authority: A Proposal for Economic Growth in the South-Eastern United States

Copies of evidence provided to the Committee on economic regeneration

6 issues of **Appalachia**, the 4-monthly journal of the **Appalachian Regional Commission**

6 Background Note on the **Pittsburgh Regional Alliance**, its affiliates, and its Senior Vice President (Roger Cranville)

Background Note and brochures on the **British-American Business Council**

Pennsylvania civilian labour force data by county of residence

Matrix showing sectoral links between Pittsburgh and various countries

Brochure on the **Pittsburgh Technology Council** (including CD)

Brochure on the **Pittsburgh digital greenhouse**

CD of Roger Cranville's presentation

7 Brief Note and Brochure on **Xplorion**

8 Background Note and brochure on the **Regional Industrial Development Corporation of Southwestern Pennsylvania**

9 Background Note on **3 Rivers Connect**

Brochure on **Digital Rivers** (including CD)

10 Background note and brochures on **Urban Redevelopment Authority (URA) of Pittsburgh**

URA Annual Report 2000

Copy of Pittsburgh Redevelopment News

Leaflet on business financing programmes

Publication outlining 50 years of the URA 'Forging the Pittsburgh Renaissance'.

11 Brochure on **Southpointe**

Washington County Economic Development Strategy: A Summary of Development Objectives, Development Issues and Strategic Actions

Detailed list of Southpointe's units

Brochure: Washington County 'Quality of Life Guide'.

12 Background Notes and Mini CD on **Jeffrey Earl Habay**

Background Note on the successes of the State Government in Pennsylvania

Entrepreneur's Guide to Starting and Growing a Business in Pennsylvania

13 Background Notes on **Carnegie Mellon Center for Economic Development**, its work and staff.

14 Background Note on the **Institute of Politics, University of Pittsburgh.**

ANNEX E: Copies of business cards received – available in hard copy only.