



**Massachusetts Alliance for  
Economic Development**

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# **Playing to Win: Massachusetts' Place in the Competitive Landscape**

## **Executive Summary June 22, 2007**

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This program was presented in conjunction with the Massachusetts Economic Development Foundation, the 501(c)(3) affiliate of the Massachusetts Alliance for Economic Development

## Executive Summary

### “Playing to Win: Massachusetts’ Place in the Competitive Landscape”

Newton Marriott Hotel, June 22, 2007

Panelists: **William Guenther**, *President and Founder*  
Mass Insight Corporation  
**Michael Goodman, Ph.D.**, *Director of Economic and Public Policy Research*  
The UMass Donahue Institute  
**Michael Widmer**, *President*  
Massachusetts Taxpayers Foundation  
**Daniel O’Connell**, *Secretary*  
Executive Office of Housing and Economic Development

Moderator: **George Tobjy**, *Northeast Practice Leader and Senior Manager*  
Strategic Relocation and Expansion Services, KPMG LLP

#### **Opening remarks by George Tobjy, Northeast Practice Leader and Senior Manager, Strategic Relocation and Expansion Services, KPMG LLP.**

KPMG is a global network of professional firms providing auditing, tax, and advisory services. They operate in 148 countries and have more than 113,000 professionals working in member firms around the world. KPMG’s member firms aim to provide clients with a globally consistent set of multidisciplinary financial and accounting services, based on deep industry knowledge.

George Tobjy begins by expressing how important it is for Massachusetts to stay competitive with other leading states in order to remain attractive to companies. Projects in five key focus areas are necessary to accomplish this:

- Technology and Talent
- Business and Labor Costs
- Taxes and Incentives
- Government Responsiveness
- Environment and Quality of Life

Tobjy highlights the state’s position as a forerunner in the technology and talent areas, as the ranking #2 US city for Biological site selection and Biological business facilities in 2007. The US News and World Report reported Massachusetts as having 10 of the Top

**“Place matters... we have to work together to make sure this place remains a center of the universe”**

100 US Universities in 2006, and Boston was ranked 5<sup>th</sup> out of 250 US Cities for Education Attainment by Forbes.com. These very noteworthy distinctions put the state in a favorable position, however, KPMG ranked business costs in the state as the 6<sup>th</sup> highest in the world. Additionally, MA was ranked 36<sup>th</sup> among the states for taxes and job growth.

After reviewing these statistics and rankings, Tobjy details the current incentive programs Massachusetts has developed

to attract businesses to the Commonwealth. These incentive programs focus on economic development, investment tax credits, job creation, and workforce training. Some of the domestic and international incentive programs of significant competitor states include grant programs of up to \$400 million and 2-4% annual salary rebates for ten years. Additionally, employee training funds and tax-free holidays and zones are noted as popular attention-grabbers in several cities across the world.

**Remarks by William Guenther, President and Founder, Mass Insight Corp.**

Mass Insight Corporation, based in Boston, MA, is a research and consulting firm that aims to keep Massachusetts, along with its businesses and institutions, globally competitive. The firm focuses on talent and innovation-based economic development and builds regional and global strategic alliances between higher education, industry and government.

Bill Guenther begins his presentation by introducing the “Golden Triangle of Economic Growth,” which is comprised of business, government, and universities. Strategic alliances between these 3 sectors are key to R&D leadership and economic growth. These links can be achieved by bringing together the two lenses: the Cluster Lens, which includes the business innovation sectors: investment management, IT/communications, and defense, with the Technology Lens, which consists of the ten core technology focus areas: advanced materials; biomedical devices; computer sciences; disease research and drug discovery; environmental sciences; genomics and proteomics; nanotechnology; renewable energy; sensing, optical and electromechanical devices; and signal processing. By bringing the “depth and breadth” of the talent and innovation sectors together, job creation will follow.

The Global Massachusetts 2015 vision, developed by Mass Insight, positions Massachusetts as the answer to many global issues that will arise in the future. The state’s investment management sector has the potential to provide retirement strategies for the US baby-boom generation, and even for the many Asian and European countries that are already facing retirement crises. The transition toward personalized medicine can be accommodated by the life sciences industry, and further growth in the IT/communications sector can build upon the state’s existing talent in defense systems and integrated communications. Massachusetts also already has the capacity to take on future endeavors related to climate change and renewable energy technologies.

Guenther then outlines the Talent and Innovation Strategy, which focuses on four main targets for investment. It is his aim to “use state money to leverage federal and private money [so that] every investment [made] should bring in new money.” First, by investing in collaborations between universities and businesses, innovation, talent and jobs will be created. Second, there is a need to organize higher-education jobs and to find individuals qualified for these positions, so that employers will remain within the state. Third, Massachusetts needs to remain a global education center. The state has been losing attention among foreign students, as there are now 28,000 foreign students in MA, down

from 32,000 a few years ago. And finally, regional development is absolutely necessary to promote the high quality of life that will help retain talent within the state.

In conclusion, Guenther notes California's advantageous location for relationships with China and rest of Asia, and the state's need to work hard to ensure that Massachusetts will remain a global center, attractive to talent and innovation from across the globe.

**Remarks by Michael Goodman, Ph.D., Director of Economic and Public Policy Research, The UMass Donahue Institute**

The University of Massachusetts Donahue Institute provides government, business, and non-profit organizations with effective solutions in the areas of research, organizational development, training, and technical assistance. They are the public service, outreach, and economic development unit of the University of Massachusetts President's Office.

Michael Goodman focuses on the issue of how to retain and attract people to the state of Massachusetts. There are many challenges that inhibit economic development, but one characteristic that Massachusetts has, from its founding, been able to pride itself on is its population's intuitive "Yankee ingenuity." The quality of people, and the intelligence and spirit that is embodied in the state, has allowed Massachusetts to be a leader through generations.

However, recent census data reports have exposed troubling trends in the state's demographic patterns. Over the last two decades, there has been an annual decline in the number of MA residents. Immigrant influx has been a positive force in bolstering the state population, but it has not compensated for the population losses. As reported by past surveys, common reasons MA residents have left the state are inability to find jobs or to afford housing. Thus, there is a downsizing of the labor pool, and the companies in the biotech, pharmaceutical and medical device sectors, which have been leaders in job creation, are struggling to find qualified candidates for open positions.

In order to make sure Massachusetts is "playing to win," Goodman believes it is necessary to overcome the challenges in education and high housing costs that afflict the Commonwealth. Development should locate near jobs to minimize the burden transportation infrastructure. To keep our workforce qualified, there is a need to extend education not only to youth, but to current working adults who may not be knowledgeable about current technologies. With respect to youth, there is a need to better-publicize careers in the technological and biological sectors in order to efficiently fill all available positions. There is an eagerness in the people of the state to make improvements where needed, and this is a crucial characteristic to use to the state's advantage.

**Remarks by Michael Widmer, President, Massachusetts Taxpayers Foundation**

The Massachusetts Taxpayers Foundation is a nationally recognized, independent, non-partisan organization that focuses on state spending, tax policies, and the general

Massachusetts economy. Their mission is to provide accurate, unbiased research with balanced, thoughtful recommendations to strengthen the state's finances and economy in order to foster the long-term well-being of the Commonwealth. Over the course of seven decades, the Foundation has played an instrumental role in achieving major reforms and promoting sound public policy in state government.

Massachusetts has found itself in a position where its attractiveness to businesses is largely contingent on the issue of cost, and in this way the state has substantially lost competitiveness. Widmer opens with these statements and contends that Massachusetts has to focus on revenue creation in order to make all the public investments that are desired.

Current revenues are primarily derived from the 5% sales tax, and are directly affected by the number of people employed in the state. Since Massachusetts has been reported as one of the slowest states in job creation and recovery following the three-year recession that started in January 2001, there has been a substantial fiscal impact. Discussions have commenced on the amount of funds to remove from the reserves in 2008, as a direct result of the state's increasing dependence on volatile capital gain.

In order to gain the proposed funding for future investments in technology, education, transportation, and other needs, an honest discussion about the immediate needs of the state, which will only get worse without revenue increases, is crucial. Potential discussion topics may include a broad-based tax, or raising the state sales tax from 5% to 7%, which would result in millions of additional annual revenue.

### **Remarks by Daniel O'Connell, Secretary, Executive Office of Housing and Economic Development**

The Executive Office of Housing and Economic Development coordinates policies and programs across the Department of Business Development, the Department of Consumer Affairs and Business Regulation, and the Department of Housing and Community Development. The mission of the EOHD and its agencies is to enhance the quality of life of Massachusetts residents by expanding affordable housing options and stimulating job growth in all regions of the Commonwealth.

Daniel O'Connell opens his optimistic speech on the bright future of Massachusetts by stating his confidence in the assets and talent the population is known for. Because of the value of the state's people, there is an increasing need for educational reform in Pre-K to 12 school systems to prepare students for the better jobs that will be available in the coming years in areas such as the life sciences, biotechnology, financial services, retirement products, and the re-growth of the IT/communications sector. Current workers also need to be re-educated in these fields, so that they can easily transition as these sectors evolve with technological progress. With educational reform, the state can reap the benefits of a stronger, more skilled workforce that will undoubtedly attract businesses.

In relation to the high housing costs, there have been great strides in permitting and growth in many counties across the Commonwealth. Greg Bialecki's 43D permitting plan has already been adopted by 14 municipalities, while 40 are currently in the process. O'Connell commends Bialecki for his current plans to amend 40A and to promote the workforce housing initiative to prevent individuals from turning down job offers due to unaffordable living expenses. There needs to be further promotion of the Bradley Airport in CT as an important transportation hub to advertise areas to the North and South of Massachusetts, not only Greater Boston. O'Connell also cites broadband connections as a crucial part of the communication infrastructure to ease the difficulties of greater distances between businesses and schools across the Commonwealth.

O'Connell concludes his presentation with an optimistic view on the progress the state has already made, despite reports of troubling data and statistics. There has been a recent increase of over 1,500 jobs and there needs to be a continued effort to achieve the state's goals. He suggests the publication of a state "report card" that show residents that every tax dollar collected is being translated into a matched amount of growth in the Commonwealth.

## **Questions of the Audience:**

**Q: After the statements about making sure the state becomes a global center, what efforts will be made to promote Massachusetts to the world?**

**O'Connell:** There are many events which have promoted the state, even recently such as the globally recognized BIO International Convention held in Boston's Convention Center this year. Additionally, there have been Ad-hoc, CEO- and Government- headed efforts to spread the word about MA across the world. A delegation recently visited Israel and Governor Deval Patrick is planning to travel to India and China. The government is making sure that meetings with foreign company executives who are visiting the country are able to happen. It is a hope to start formulating strong relationships with major business contributors across the world.

The Bristol-Myers Squibb \$750 M development in Devens was a move that was globally noted, and one of the largest of its kind in the world. There are plans for other major bio-pharmaceutical companies to move into the state and we can therefore land new employers, but at the same time, we have to make sure current employers know they are able to expand, and that there are ways to make it affordable.

**Q: How will it be possible to get the support necessary from the people of the Commonwealth?**

**Guenther:** There is a need to promote our efforts as fulfilling a vision versus filling holes or gaps in our economy.

**Widmer:** There has to be a broad agreement on what the state's priorities are. The public is much more open to raising revenue if it is in support of where the money is going.

**Q: With major developments, such as the Bristol Myers Squibb center in Devens, MA, will Lexington and other cities be able to do such monumental moves like this? Will there be support from organizations like MassDevelopment to make it possible?**

**O'Connell:** In situations where a city is looking to develop and raise funding, it is beneficial to get as much planning done as soon as possible. Sites that are pre-permitted, that have taken steps to preserve land, and are overall "shovel ready" have a better chance to be considered.

## About the Speakers

**William Guenther** is President and Founder of *Mass Insight Corporation*. Mass Insight Corporation is a research and consulting firm that seeks to keep Massachusetts, along with its businesses and institutions, globally competitive. The firm focuses on talent and innovation-based economic development and builds regional and global strategic alliances between higher education, industry and government. Mass Insight organizes collaborative leadership initiatives and uses communications, publications, policy research and public opinion surveys to shape public-private actions and develop innovation partnerships. Mass Insight's initiatives include Global Massachusetts 2015, Science and Technology, and others.

**Michael Goodman, Ph.D.** is the Director of Economic and Public Policy Research at the *University of Massachusetts Donahue Institute*. The UMass Donahue Institute provides government, business, and non-profit organizations with research, organizational development, training, and technical assistance. The Donahue Institute is the public service, outreach, and economic development unit for the University of Massachusetts President's Office. The Donahue Institute's work draws upon the faculty and staff from the five UMass campuses, bridging academic theory with real-world business applications.

**Michael Widmer** is President of the *Massachusetts Taxpayers Foundation*, a nationally recognized, independent, non-partisan organization that focuses on state spending, tax policies, and the general Massachusetts economy. Their mission is to provide accurate, unbiased research with balance recommendations to strengthen the state's finances and economy. For over seven decades, the Foundation has played an instrumental role in achieving major reforms and promoting sound public policy. The Foundation has had a significant impact on a wide range of issues including education financing, business costs, tax competitiveness, and the stability of state finances.

**Daniel O'Connell** is the Secretary of the *Massachusetts Executive Office of Housing and Development* and a member of the Governor's Cabinet. His agency brings together the departments responsible for marketing Massachusetts as a business and tourist location – in-state, nationally, and globally; administering tax and business incentive programs; providing expedited permitting; overseeing housing and community development; and shaping the Commonwealth's economic development policies. The agency's broad objective is to retain and attract people to work and live in Massachusetts, which will expand our economy and make Massachusetts an affordable and prosperous place to live.

**George Tobjy** is the Northeast Practice Leader and Senior Manager of Strategic Relocation and Expansion Services at *KPMG LLP*. KPMG provides auditing, tax, and advisory services to its clients, delivering multidisciplinary financial and accounting services based on deep industry knowledge. The mission of KPMG's Strategic Relocation and Expansion Services is to assist companies with the development, expansion, consolidation, or relocation of their facilities. These services include site selection, incentive optimization, and state tax advice. Clients have included companies from diverse industries such as transportation, retail, and communication.

## Sponsors

### **Arc of Innovation- 495/MetroWest Corridor**

Formed in 2003, the **495/MetroWest Corridor Partnership** is a regional non-profit advocacy organization governed by municipal officials, regional employers, legislators, environmentalists, and educators that addresses the needs of the thirty-two communities in the Arc of Innovation (or 495/MetroWest) region by enhancing economic vitality and quality of life while sustaining natural resources. Since its founding, the Partnership has amassed an impressive record of accomplishment addressing economic development, transportation, water resources, workforce development, housing, and permitting issues, while being recognized by policymakers as the voice for a region crucial to the Commonwealth's economy.

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### **Berkshire Economic Development Corporation**

Formally established in 2005, the Berkshire Economic Development Corporation (BEDC) was formed out of years of collaborative economic development partnerships between private and public entities and leaders including private businesses, municipalities, government agencies, legislators, academia, health care institutions, and not-for-profit organizations. The BEDC is the lead business development organization for Berkshire County and it facilitates, coordinates and leads collaborative countywide economic development efforts to attract and retain high quality employers & employees, strengthen the economy of the Berkshires, and act as a catalyst for new endeavors.

The BEDC provides the infrastructure to help businesses in the Berkshires grow with the support of an active, engaged community. Through collaboration of key partners the BEDC is able to boast smart growth in the region. The BEDC is a single source of regional information and a "one-stop-shop" for business relocation, expansion or start-up.

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## **Merrimack Valley Economic Development Council**

The Merrimack Valley EDC is a private, non-profit organization devoted to advancing the economic interests of the Merrimack Valley region. Their goal is to sustain economic growth and prosperity for every community in the Valley. The Council, co-chaired by Kendall M. Wallace, Publisher of the Lowell Sun, and Irving E. ("Chip") Rogers, III, Publisher of The Eagle Tribune, encourages greater communication and cooperation between the public and private sectors and between communities in the region. By bringing together leaders from communities across the region, the Council provides a valuable forum for sharing information, developing joint strategies to address specific challenges, and ensuring that the interests of the entire Merrimack Valley are advanced effectively.

Companies within the Merrimack Valley include: Smith and Nephew Endoscopy, Gillette, Wyeth, Philips Medical, Joan Fabrics, Avici Systems, Sycamore Networks and Lucent Technologies.

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## **SouthCoast Development Partnership**

The SouthCoast Development Partnership was founded in 1999 as a regional collaborative for the SouthCoast, providing assistance for businesses looking to expand or relocate in the region and promoting tourism and economic development in the communities along I-195 from Seekonk to the Cape Cod Canal. The Partnership coordinates regional resources through public and private leadership and it strives to raise awareness of the region and its extraordinary quality of life, excellent workforce, state of the art facilities and technology based incubators, outstanding industrial parks, and offers for incentive and mezzanine funding programs.

The SouthCoast Development Partnership also promotes the participation of the region's chief executive officers, elected officials, municipalities, chambers of commerce, local economic development agencies, community leaders and the higher education community in programs and activities that stimulate and build sustainable economic development in this region.

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## **Western Massachusetts Economic Development Council**

The Western Massachusetts EDC, founded in 1996, successfully brings together public and private leadership to create a positive environment for economic growth in Western Massachusetts. The region, consisting of the three Pioneer counties of Hampden, Hampshire and Franklin, holds the vast majority of the population, workforce, higher education graduates, attractions and resources of Western Massachusetts.

The EDC is a unique regional collaborative initiative; it is non-governmental, quick and effective. The council, dealing mostly with business retention, business attraction, tourism, technology development, government affairs, and infrastructure, serves as a resource for firms considering the region or for those that are expanding. The EDC unites the region with the common goal of maintaining and creating jobs, attracting new business prospects, and promoting investment and tourism. Throughout its history 5,000 jobs have been created or retained, over \$250 million in private investment has been committed to region, and over \$200 million in state funding has been pledged to support Western Massachusetts' economic development.

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## **About MAED**

The Massachusetts Alliance for Economic Development (MAED), a member of the Massachusetts Business Resource Team, is a private, non-profit partnership of business and government dedicated to fostering economic growth in the Commonwealth. Launched in 1993, the Alliance markets Massachusetts by providing information services to companies seeking to expand within or relocate to Massachusetts.

The Alliance's products and services include a statewide Site Finder Service; the Research & Information Service, providing customized information to support a company's site selection decision; and the Massachusetts Ambassadors program, a private sector leadership corps that helps market Massachusetts as a place to do business. Through these channels, and in conjunction with state and local partners, the Alliance has worked with over 1000 companies including Sun Microsystems, Erie Plastics, Merck, and American Superconductor.