

The Economic Summit II
Report on the South Central Region
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This paper will outline activities that have occurred in South Central Wisconsin since Economic Summit I. It will identify and describe companies that represent success stories using the principles and ideas identified at the last summit. The paper will lay out some of the significant assets of the area as well as identify barriers to success. Finally, it will make recommendations regarding public policy initiatives that state government, the University and business communities can pursue in order to improve economic development statewide.

The Region

First, a brief description of the South Central Region. Last year, this region was identified as the Southwestern Wisconsin Region. During the course of the past year, the Platteville area, under the direction of University of Wisconsin-Platteville Chancellor David Markee, has moved aggressively to identify economic development strategies for that area of the State. They have hosted a mini-summit for the region and have been working to increase visibility and improve the job base in Southwestern Wisconsin. Some of the unique problems of workforce, the agricultural economy and geography that were identified at last year's summit suggest that it is appropriate for this region to organize and pursue its own independent strategies.

The balance of the South Central region consists generally of Dane County and the surrounding counties. It also makes sense to include the communities of Janesville and Beloit into a discussion of this area.

During last year's summit, this region was described as the most diverse in the state. One measure of the diversity is the unemployment rate, which varies widely between Madison and Beloit. The two communities are separated by a mere seventy miles geographically but are light years apart in the health and vitality of their respective economies. That gap has not been narrowed in the past twelve months. However, there is certainly heightened awareness of the disparity and the steps that can be taken to improve the business climate for the Beloit area.

Key Organizations

The first summit created the framework for the establishment of several organizations dedicated to economic development. The Wisconsin Technology Council (WTC) was established by state statute. This organization, which consists of many of the prominent leaders in the high tech community in Wisconsin, has as its mission the promotion and development of high tech industry and jobs in our state. The council hired an executive staff and prepared a strategic plan. The council will be actively involved in public policy discussions, legislation, public relations and events coordination. WTC will provide a statewide framework for high tech economic development in the future.

The Greater Madison Chamber of Commerce has been at the center of a variety of activities designed to promote the fundamental recommendations of Economic Summit I. The creation of Wisconsin Innovation Network (WIN) Foundation is one example. The

WIN Foundation sponsors luncheons featuring high profile speakers to raise visibility and encourage networking between business people involved in new and emerging businesses in the Madison area. It is expected that the WIN Foundation activities will continue and perhaps be assumed by the Wisconsin Technology Council.

The Chamber, with help from others, continues to sponsor and organize the annual Venture Capital Fair in Madison. This year's fair emphasized life science companies as presenters. The Fair attracted more than 300 participants and, along with a corresponding event held in Milwaukee, provides an outstanding venue for start up companies to demonstrate their technologies to potential investors. The interest level by venture capitalists in start up companies in the Madison area has increased substantially in the past year. The establishment of angel networks has increased in the past year as well. Air transportation in and out of Madison was identified last year as a problem. Under the leadership of the Madison Chamber, a transportation study committee has been organized to look at ways to make our air transportation system more competitive and accessible.

The Wisconsin Biotechnology Association has been restructured, and recently hired a top-notch public affairs, public relations and association management team to build the membership and visibility of the organization. The Association is specifically dedicated to the advancement of biotech businesses in southern Wisconsin. Part of the mission is education and orientation. Additional objectives include legislative affairs and raising the profile of the biotech industry in Wisconsin. The Wisconsin Biotechnology Association recently hosted its annual conference in conjunction with the annual Venture Fair. This successful event attracted more than 320 representatives from industry, government and academia.

Government and the University

State government has also played a role in the furtherance of the goals and objectives of Economic Summit I. The Department of Financial Institutes (DFI) has established "Invest Wisconsin" which is charged with enhancing and improving venture and investment capital in Wisconsin. DFI hosts an annual conference highlighting issues and ideas concerning the development of capital markets in the state. Governor Scott McCallum has responded as well, with the creation of a state government interagency group to look at ways for the state to be helpful in the development of emerging companies in Wisconsin. The interagency group is also exploring initiatives to support existing businesses in Wisconsin and to remove barriers to success for current and emerging companies.

The University of Wisconsin-Madison has taken steps to be a value-added player in the local economic development area. The campus-wide emphasis on the technology transfer process, which encourages faculty to commercialize intellectual property, is an important part of that effort. Major partners in the University's strategy include University-Industry Relations (UIR), which provides start up funding to emerging faculty companies. UIR has added staff with business expertise in an effort to provide faculty with needed help in business planning and organization. The Wisconsin Alumni Research Foundation

(WARF) continues to be a national model in patenting and licensing. WARF is extremely helpful to faculty members, not only by protecting intellectual property, but also through assisting the University with important investments in new biotechnology buildings on campus and programs designed to make the University more competitive.

The University Research Park continues to grow and thrive as a place for innovation to occur. The Park now houses 89 companies with almost 3,000 employees and over \$120 million in payroll each year. The success in the current Park has created the need for additional land on the west side of Madison. This new 260-acre site will provide space for start up companies in the future. The University has taken new steps to play a role in the economy by creating a real estate development corporation. This entity is designed to assist the University with strategic real estate acquisitions and partnerships. It will allow the University to operate with more flexibility in real estate acquisitions important to the future of the campus. This entity will also permit the creation of public-private partnerships to advance the needs of the University.

Janesville and Beloit

The other portions of the South Central region have demonstrated progress since the last summit as well.

Janesville and Beloit have been involved in a five-county visioning process with four Illinois counties and Rock county in Wisconsin. The goal is to formulate an economic development strategy for the I-90 corridor from Elgin, Illinois to Madison, Wisconsin.

Janesville has identified five targets for industrial marketing efforts. They are plastics, distribution and logistics, business services, advanced manufacturing and food processing. In addition, a task force has been formed to evaluate the formation of an engineering program in Rock County. One option under consideration is a relationship with UW-Platteville.

Forward Janesville has made strides in transportation infrastructure as well by securing funding for an industrial corridor road on the south side of town. Additionally, funding has been approved for major improvements to the Rock County airport to assist passengers in the area.

Success Stories

There are several success stories in the region that illustrate many of the principles and issues discussed at last year's summit. Third Wave Technologies is such a story. It develops a broad platform of proprietary enabling technologies with applications in genetic and infectious disease discovery and diagnosis. The company used creative techniques to raise funds, and eventually executed a successful IPO in a very tough financial market. Third Wave has been a leader in employing University and technical college graduates in the Madison area.

Promega Corporation is a biotechnology company that has achieved a world-wide reputation for innovation and creativity. Promega Corporation with over 500 employees is the world leader in applying biochemistry and molecular biology to the development of innovative, high-value products for life sciences. Promega has also been active with local high schools providing internships to students interested in biotechnology.

Stratatech is a tissue engineering company where the science is centered on growing human skin to be used in human therapies and test markets. The creation of this company is a classic technology transfer story with a campus research discovery taken to the private sector.

Tetronics started in 1990 with one employee in the University Research Park. The company is an FDA-registered Good Manufacturing Practices, organic synthetic lab specializing in the production of experimental pharmaceutical and products. Its technology was based on work done on campus in the research labs of Dr. Hector DeLuca. This company is the first incubator start up company to build its own building in the Research Park.

AlfaLight designs and develops high-power laser diodes for use in optical fiber communications, medical equipment, and industrial applications. The company has raised over \$40 million in funding and has 85 employees. The technology that created the company was developed at the University of Wisconsin-Madison School of Engineering.

Ultratec is the world's leading developer and manufacturer of text telecommunication devices that enable people who are deaf and speech impaired to communicate over the telephone. The firm also hires a significant number of physically handicapped employees.

In Beloit, the Alcoa wheel plant has startled business leaders all over the country by taking a 500,000 square foot plant with 500 employees and a dubious production record, transforming it into a much safer facility with much better production. The plant churns out over one million aluminum wheels for light trucks and cars per year.

In Janesville, Deere & Company announced recently that they will build a 500,000 square foot distribution center and have optioned enough property to double in size in the future.

A Vibrant Economy

The South Central region generally has a positive and vibrant economy. Madison's unemployment rate currently ranks third lowest in the nation. The exception to this pattern is the Beloit area which has its own unique set of economic problems. In the Madison area, however, the economy continues to be strong in large part due to the influence of state government, the University, insurance and health care industries.

An important strength of the area is the quality of the workforce due to the presence of a world-class research University and a top-notch technical college. Graduates from these institutions generally like to stay in the area once they complete their training. This makes it all the more important that an entrepreneurial climate that produces start up companies is encouraged.

Madison is becoming well known as a center for biotechnology start up companies. The Janesville-Beloit area features a strong manufacturing and engineering workforce providing a foundation for a durable goods products cluster in the region.

Threats and Opportunities

The greatest threat to the successful development of the high-tech industry in Wisconsin is legislative initiatives that could obstruct or discourage the creation of science-based companies for political or ideological reasons. The best thing state government could do to encourage growth in high-tech companies is to "Do no harm" and be positive about the unique opportunities in the high-tech field.

Certainly there are other things that state government can do in order to advance economic growth statewide. The state should encourage wealth accumulation. Taking specific steps, particularly in the tax code to persuade high-wealth individuals in Wisconsin to maintain residency in this state, would assist in the establishment of angel investment networks and enhance the supply of investment capital in Wisconsin.

The state should make aggressive efforts to eliminate regulatory and paperwork barriers and make it as easy as possible for small business creation in Wisconsin. Policy makers should work hard to overcome Wisconsin's high tax climate. The only way to accomplish this is by reducing the state personal income tax rate and keeping property tax rates in check. This cannot be accomplished with one-time credit programs, but only with permanent, structural reform.

The state should continue to invest in education at all levels. The secret to a skilled, qualified workforce is education. This is one of the fundamental roles that government must continue. The improvement of the transportation infrastructure is an important ingredient in order to achieve economic success in the state. The enhancement of our air transportation system is critical in attracting venture capital and business opportunities around the country.