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In Conversation With Governors Douglas and Lynch

Editor's note: This is a special edition of The Business Climate. The column will begin its regular twice-a-month format on Feb 5.

By Sarwar A. Kashmeri

For the Valley News

While it is true that no state is an island -- globalization and the interconnected business world have put an end to that -- the choices a state makes in areas such as education, training, housing, energy, taxes and other costs of conducting business will ultimately determine whether it can maintain a vibrant business sector, create new jobs and improve the standard of living of its citizens.

For better or worse, the direction a state chooses becomes a legacy of its chief executive, the governor. The governors, of course, must work with the states' legislatures to move their initiatives forward, but it is their vision and leadership that most citizens associate with the state's image and economic health.

As this column begins a new year, I thought it would be instructive to have conversations with New Hampshire's Gov. John Lynch and Vermont's Gov. Jim Douglas to illuminate their vision for business development and job creation. Both governors were kind enough to make space on their schedules for a discussion of topics that this column has been focusing on and others it intends to explore this year.

Manufacturing continues to play an important role in the economy of both New Hampshire and Vermont (more than 10,000 machinists work in the Upper Valley alone), and both governors are aware of the critical shortage of skilled workers to fill these increasingly high-technology jobs, which pay more than the average national wage.

For Douglas, this is a strategic issue tied into the demographic shift in Vermont. "We project an 18 percent decline in the state's high school graduates over the next decade, which has serious implications for our work force," he told me. "We need to train more people, not only in college courses, but in the trades as well." Vermont has responded with a machinist-training program, as well as apprenticeship programs for plumbers, electricians and tramway operators, who are critical to the state's ski industry.

On the New Hampshire side, Lynch has initiated a manufacturing leadership series in

which manufacturing companies from throughout New Hampshire come together to talk about how to compete in a global economy. “How they can put lean-manufacturing into their organizations, market better, sell better, and develop partnerships which are so critical to competing globally,” Lynch said. His proposal to raise the school dropout age from 16 to 18 is also designed to improve the odds of success for kids who may not do their best in a traditional environment but blossom in vocational and technical training schools, “which feed directly into the manufacturing area.”

Regional Efforts

Regional initiatives are particularly important to the economic health of the Upper Valley, but cross-border collaboration is not as easy as it would at first appear.

Different laws, cultures, purchasing regulations and the touchy issue of spending one state's tax dollars on another are just a few of the hurdles that must be overcome. That they can be overcome was demonstrated by Douglas and Lynch last year in a signal act of bistate collaboration to acquire Federal Scenic Byways designation for the Connecticut River, a development of particular importance for the Upper Valley's tourist business.

“State lines cannot be allowed to become barriers to economic strategies,” Douglas told me. “We want someone who visits Cornish to also visit Windsor, visitors to Claremont to visit White River and Woodstock.” Tax dollars from both states contributed to the brochure promoting the attractions. The power of the Twin States application was evident in the independent reviews that the U.S. Department of Transportation requires before approving an application for Byways designation. “The development of this nomination may well be the most significant event since Colonial times to create a seamless border between these two states,” was typical of the comments received.

In an earlier column, I'd asked the city managers in Claremont and Springfield, Vt., if they had thought about pooling purchases of commodities such as heating oil to lower costs for both cities. Both had expressed interest, but pointed out the practical difficulties of working with differing state laws and regulations. So I asked Lynch if he could help out. “I'd be supportive of looking at these initiatives to help communities and taxpayers save money,” Lynch said, and noted that he'd like to go further. “Separately from business, we need to do more collaboratively with respect to emergency management and planning. If a disaster such as avian flu hits us, it won't stop at the borders of the state.”

The New Hampshire Biotechnology Council, the Biotechnology Association of Maine, and Vermont's Department of Economic Development joined forces and shared the expense to set up a joint booth at BIO 2005, the industry's annual international trade show. The groups branded their booth “Top of New England,” a marketing innovation that let the three states leverage each other's strengths. The states will repeat the performance in Chicago at BIO 2006.

About 200,000 people are employed in this \$39 billion industry. Would Douglas want to take the lead in inviting his fellow governors from New Hampshire and Maine in supporting the initiative to attract biotechnology companies? What major media will want to miss a press conference hosted by three governors?

“Sure,” he said without hesitation. “I’d have to check the schedules and talk with my team, but I am not adverse to that.”

Over to you Gov. Lynch.

Both governors obviously have a high regard for each other, which has fueled an increasing amount of regional cooperation. But, given the short two-year term of each governor, is there a way to institutionalize these regional activities?

“I believe there are initiatives that we can promote to institutionalize this,” Lynch told me. “Joint commissions can be set up to do this.”

“That makes good sense,” Douglas said of Lynch’s idea. “Our tourism commissioners work well together, but they are political appointees. Civil servants can play more of a role. And although we have small departments of economic development and travel-tourism, there are civil servants there who could become involved.”

Douglas also reminded me that the private sector has a large stake in this endeavor. “Chambers of commerce and other voluntary organizations in the Upper Valley and elsewhere need to also provide the continuity.”

2005 Successes

I asked both governors to look back at 2005 and recap their administration’s top business achievements. Right on top of Lynch’s list was saving the Portsmouth Naval Shipyard and its 5,000 workers, \$350 million in wages and a regional impact of over \$500 million. The Department of Defense had scheduled it for elimination, and the governor was warned efforts to reverse the decision would be futile.

With his businessman’s tenacity, Lynch refused to give in. He went to Portsmouth, met the workers and “looked at the metrics.” What he found was a highly productive manufacturing facility that had a record of delivering military projects on time and under budget. He found that the workers’ innovations were nationally recognized and they were invited around the country to advise other shipyards.

“Working with civic, state and congressional leaders, we fought the Defense Department’s decision and it was ultimately reversed. It was a significant decision with an impact for not just New Hampshire and Maine, but for the entire country.”

Next on the governor’s list was small-business health insurance reform, specifically the onerous provisions of SB 110, which raised the rates on small businesses by 40 percent 50 percent on the basis of health and geography. “We are a state of over 30,000 small businesses with 50 or fewer employees each, and the provisions were chocking off growth and jobs,” said Lynch, who led a bipartisan effort and got the provisions repealed.

Douglas’ list led with the creation of more than 13,000 jobs since the depths of the 2003 recession. “The average wage is up compared to the national average; per-capita income is the highest it has ever been, family income is up, more Vermonters are working and tax revenues are strong,” he said.

Diversification of the economy is a matter of pride to Douglas in that the difference between IBM and the next largest company is not as great now as it used to be. “I

remember going to Wall Street as the state treasurer and the preponderance of IBM was always an issue when Vermont's credit rating was considered.” Under the Douglas administration, Vermont's educational institutions have diversified beyond their traditional mission into entrepreneurial areas such as The Vermont Center for Emerging Technologies at the University of Vermont and the Norwich incubator facility, both of which help position the state to take advantage of the knowledge economy, where tomorrows jobs will come from.

Messages to the President

And if each governor got a few minutes with President Bush, what might they want to discuss with him?

“My message is more for Washington than for the president,” Lynch told me. “Most people I talk to are really bothered about the partisan bickering that is occurring in Washington. My suggestion would be that the sides get together to make progress for the people of the country. Right now that is not happening. There is a bunker mentality in Washington, which the people of New Hampshire and Vermont don't approve of.”

Douglas said he believes it is helpful to have a former state governor as president because “he understands my responsibilities, my challenges, and is trying to find the appropriate relationship between the federal and state government's needs.” Douglas points to two areas in which this understanding has played out: The administration agreed to give Vermont more flexibility in administering its Medicare program and the No Child Left Behind legislation. “Our pitch all along had been that what works in Houston doesn't necessarily work in East Corinth, and we must have some flexibility, and this has increasingly happened.”

Both governors seem to understand the dangers and opportunities of today's global marketplace, and are determined to position their states for the ruthless global competition that the 21st century has brought to their doorsteps. They clearly recognize that tomorrow's jobs will be produced in the knowledge economy, and they appear equally sensitive to New England's tradition of balancing growth with “clean,” environmentally friendly industries.

I left my meetings feeling that citizens of New Hampshire and Vermont are fortunate in having Gov. Lynch and Gov. Douglas in their corner.

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