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ECONOMIC CONVERSION & DEFENSE READJUSTMENT

*Leadership Initiatives
for Maine's
New Governor & Legislature*

Submitted by the
Maine Economic Conversion Project

January 1, 1995

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Introduction

The Maine Economic Conversion Project (ECP) is a nonprofit, grassroots organization founded by community leaders in 1989 to help Maine organize a proactive economic conversion response to defense cuts and to use this time of economic change as a sustainable economic development opportunity. The ECP works in partnership with a broad range of public, private and nonprofit organizations around the state as well as a growing network of organizations nationwide. Over the last five years, the ECP has raised public awareness, brokered new partnerships and developed public policies and institutions out of which many promising defense conversion initiatives are now emerging statewide.

The purpose of ECP's proposed leadership initiatives is to draw closer attention to some of the more important public policy issues regarding Maine's defense dependency and its economic conversion and defense readjustment efforts. The first set of initiatives focus attention on restoring state government leadership and accountability in economic conversion in hopes of better supporting Maine's conversion efforts within and outside of state government. On a more somber note, the second set of initiatives are intended to serve as a warning call to the ominous threats posed by future military base closures and Maine's lack of preparedness to deal effectively with such possibilities. We have presented the final series of initiatives to broaden the realization and enthusiasm for a number of innovative and promising ideas that not only represent exciting opportunities for conversion, but hold even greater and longer-term opportunities for Maine to strengthen and diversify its non-defense industries, civilian-based economies, and sustainable economic development capacity.

Building partnerships is an essential ingredient to any success Maine hopes to achieve in its conversion efforts. In fact, due to the complexity, high cost and difficulties inherent in economic conversion, Maine can ill afford not to develop stronger and broader based partnerships to maximize our resources through collaboration.

The urgency for increased government leadership in conversion cannot be overstated. Maine is heavily dependent on defense. We've already experienced very severe impacts from military downsizings and the worst may yet be coming. Economic conversion is a very comprehensive, politically difficult, and expensive public policy to deal with. It requires consistent levels of strong investment, the willingness to assume risk and confront enormous change, and a lot of patience. These difficult challenges demand strong and proactive leadership from both the public and private sectors.

Implementing these leadership initiatives is important. As mentioned earlier, Maine has a substantial number of very important defense conversion and economic diversification initiatives currently underway or under development. These programs are being led by a host of public and private sector institutions and organizations including State Task Force on Defense Realignment, State Office of Economic Conversion, regional economic conversion task forces, councils and authorities, departments of Economic and Community Development and Labor, organized labor, Maine Science and Technology Foundation, Center for Technology Transfer, Coastal Enterprises, Inc., Small Business Administration, Small Business Development Centers, Eastern Maine Development Corporation, and the Training and Development Corporation to name but a few. All of these efforts offer great promise and many are already producing tangible results. However, most of Maine's conversion programs are in need of greater coordination, resources, public support and political leadership. Maine's new Governor and Legislature need to expand their support for existing efforts and link implementation of ECP's leadership initiatives with those currently underway. Of equal importance is linking all conversion initiatives to a strategic economic development plan for Maine.

Maine's Defense Dependency & Conversion Challenges

Defense is Maine's third largest industry and represents 10% of the state's total economy. Defense spending in Maine increased more than ten-fold during the 1980s. At its height, direct and indirect military spending contributed more than \$2 billion to Maine's economy and supported approximately 63,000 jobs or over 8% of Maine's workforce. If you compare our state with the rest of the nation on a per capita basis, Maine is the fourth most defense-dependent state in the country.

Federal spending on defense is, and will continue to decline. Annual defense spending has fallen for the last ten years from a peak of \$397 billion in the 1980s to \$263 billion in 1995. Even with recent demands for increased military spending on readiness by President Clinton, and calls for new spending on selected military programs and preparedness by the new GOP leadership in Congress -- few expect America to return to Cold War spending levels.

In fact, many of the current proposals being considered for increasing defense spending represent barely a 5% growth in the nation's military budget. Moreover, it's rumored that even GOP leaders in Congress might already be scaling back proposed increases because of severe budgetary constraints and recent reports from the Congressional Budget Office that recent concerns about a lack of military readiness have been overstated.

The impact of defense spending cuts on Maine's economy is already significant. Since 1989, Maine has lost approximately 12,000 defense-related jobs. Military downsizings are a leading cause of unemployment in Maine and a principal contributor to our state's lackluster economic performance.

Continued cuts in defense spending make Maine's future very uncertain. Consider what would happen if Maine lost Bath Iron Works, Portsmouth Naval Shipyard or Brunswick Naval Air Station. Combined, these facilities sustain nearly 35,000 direct and indirect jobs. How serious are these threats? What kind of impact would they have on our economy, local communities, workers and their families? Is Maine equipped to meet these potential challenges? If not, are we doing all that we can to prepare for whatever the future holds?

Maine is faced with two very real and immediate threats. First, the federal government is preparing its next and final round of military base closures which will be announced early this year. It is widely reported that this round will be the largest ever, possibly larger than all three previous rounds combined. Second, but just as worrisome are the recent cutbacks being considered by the federal government in the Navy's destroyer program. Either one or both of these scenarios could cause enormous impacts on Maine's economy and our way of life for years.

Maine is working to reduce its defense dependency. Maine is recognized nationally as a leading model for defense conversion because of its partnership approach, policy initiatives, institutional structure, and broad array of conversion activities underway. For example, Maine built statewide institutional capacity to deal with conversion by creating an Office of Economic Conversion, State Task Force on Defense Realignment, and eight community-based regional task forces in Maine's most defense-dependent areas.

Ambitious defense conversion and diversification initiatives are underway at large defense companies such as Bath Iron Works, Saco Defense and National Semiconductor, and at many of Maine's small defense-dependent manufacturers. Just as impressive are the defense conversion assistance programs that have been implemented all across the state by local, regional and statewide agencies, labor unions, nonprofit organizations, civic leaders and grassroots activists.

Many of these initiatives would not have been possible without the strong bipartisan leadership of Maine's Congressional members, State Legislature and committed members of the McKernan Administration. Economic conversion is a very expensive, difficult and risky process that requires exceptional leadership, significant investments and enormous patience.

The best economic conversion strategy is economic development. For conversion to succeed, we need something to convert to. Despite our best intentions and efforts, conversion will not happen until there are viable commercial alternatives for defense businesses. Job training strategies won't work if there are no jobs to train for. Technology development strategies are good in theory, but useless unless they enable businesses to produce products that the market demands. However, if we integrate these and other conversion strategies into an overall economic development plan, we could create new markets to generate new business and job opportunities to replace those lost to defense downsizing. If we integrate an industrial policy into a strategic economic development plan, we could target strategic industrial sectors for public investment in areas of public need such as environmental protection, energy efficiency and renewables, and transportation. In the past, a de facto industrial policy targeted public policy and investment to meet our defense needs which not only met this public need, but also built a profitable defense industry. Now that our defense needs are less, we can redirect industrial policy and investment to other areas of public need to jump-start new industrial opportunities. A successful example is environmental industries, one of the fastest growing sectors in our nation today. Its growth is due in large degree to federal environmental regulations and public investment to meet a public need. Further, research indicates a match between many defense technologies and those needed in a variety of environmental and related transportation industries.

Reinvestment in our domestic economy could create more jobs. Numerous governmental and non-governmental studies show that investment in the civilian sector creates more jobs than spending on the military. For example, economic analysis shows that \$1 billion spent on military procurement would generate 25,000 jobs compared with jobs generated by comparable investment in mass transit (30,000 jobs), housing (35,000 jobs), education (41,000 jobs) and health care (47,000 jobs). A 1993 Congressional Research Service study on reinvestment and employment concludes that the economy would gain 18,762 jobs as a result of a shift of \$3 billion from defense to state and local government employment. In a related study, the U. S. Conference of Mayors compiled a list of "ready to go" infrastructure projects that have received appropriate local approval and are awaiting federal funding. The report listed over 7,200 projects in more than 500 cities. The total, multi year cost of these projects is \$26.7 billion. Starting these projects in 1992 would have cost \$12.9 billion and would have generated almost 420,000 jobs.

Defense downsizing and conversion offer an opportunity to convert our overall economy to one that is more sustainable. We can use this time of economic change to create a sustainable economy that will provide good jobs, a healthy environment, and quality of life for everyone. Economic dislocation -- whether generated by defense cuts, globalization of our economy, technological change or resource depletion -- should prompt us to reevaluate our economic development goals and strategies. We should use defense downsizing and conversion as a catalyst to focus on broader economic restructurings necessary to make our overall economy more prosperous, just and sustainable in the long term.

Leadership is needed now more than ever before from Maine's Governor, Legislature and Congressional delegation. It is very likely that Maine has yet to experience the worst of defense downsizing impacts. It is inevitable that defense spending cutbacks will continue to challenge our economy while our current conversion efforts are still a long way away from reducing our defense dependency. Therefore, our state will have an ever increasing demand for stronger leadership from Maine's elected leaders to meet both the challenges and opportunities of defense downsizing and conversion. The Maine Economic Conversion Project encourages you to lead us into a more stable, prosperous and sustainable future.

Leadership Initiatives

1. Restore Government Leadership & Accountability in Conversion

A. Reininvigorate the State Task Force on Defense Realignment

The Task Force was created through Executive Order by the Governor in 1990 and subsequently enacted into law by the Legislature in 1992. It consists of representatives from the Legislature, state agencies, business, labor and local communities. It is responsible for developing a comprehensive defense conversion strategy for Maine and overseeing the coordination of a statewide implementation plan.

Unfortunately, the Task Force has historically lacked strong political leadership and support. Consequently, it has been unable to fully meet many of its legislated mandates including: convene regular meetings, provide timely reports to the Legislature, adopt a statewide conversion strategy, and coordinate and oversee the many conversion efforts underway throughout Maine.

The Task Force chair was held by the State Planning Office Director until June 1993 when the Task Force was transferred to the Department of Economic and Community Development with its commissioner serving as chair. Most of the terms of Task Force members have expired which will further delay the completion of the group's work. The Governor and legislative leadership are responsible for appointing new members. Governor McKernan recently made a number of new appointments, but additional appointments from the Legislature have not yet been made.

The Task Force requires strong political leadership, adequate resources and should be held more closely accountable to its legislated mandates. The Governor can play an important role in empowering the Task Force by making sure the Task Force receives high priority and strong support. The Governor's support is critical to Task Force efforts to help Maine reduce its defense dependency and vulnerability to defense downsizing impacts by developing an effective defense and economic conversion strategy for Maine. We therefore encourage the Governor to:

Actions:

- Instill in his new DECD Commissioner a high sense of urgency regarding the importance of fully supporting and prioritizing the work of the Task Force so that it can complete its legislated mission.
- Make any remaining and future Task Force appointments as quickly as possible to enable the Task Force to meet its legislated mission.
- Personally monitor the performance of the Task Force and hold it more closely accountable to fulfilling all of its legislated mandates.

B. Strengthen the State Office of Economic Conversion

The Office of Economic Conversion (OEC) was established by legislation in June 1993 as recommended by the Maine Economic Growth Council. The OEC is a division of the Department of Economic and Community Development (DECD). The OEC is supported by a \$200,000 state appropriation and one full-time program manager. The Authorization for the OEC is due to expire on July 1, 1995.

The OEC was established to implement the recommendations of the Task Force on Defense Realignment and is mandated to perform the following functions: (1) serve as a clearinghouse for firms, communities or workers concerning economic conversion or defense dislocation assistance; (2) coordinate all interagency state economic conversion and diversification resources, activities and programs; (3) provide support and coordination of regional conversion task force efforts in Maine; (4) pursue federal economic conversion assistance programs; (5) monitor shifts in federal defense spending and related impacts; (6) serve as a liaison and legislative advocate to the Governor, Legislature and Congressional delegation; and (7) develop a public awareness program on the state's defense dependency, conversion efforts and related assistance programs.

The OEC has done an excellent job of trying to fulfill its many public mandates. Unfortunately, it has never had adequate resources to accomplish all of its mandated responsibilities. For example, its capabilities are severely restricted by the fact that the OEC has only one staff person and an annual budget of only \$100,000. Given that defense is Maine's third largest industry and is shrinking fast, it is unrealistic to think that a single individual can effectively support and coordinate all of the various conversion activities with such limited resources.

The next Governor and new Commissioner of the DECD need to be more accountable for insuring that the OEC fulfill its important mandate by making the OEC a high priority and affording it far greater political support. Finally, there is great concern that although defense downsizing and conversion will be a major factor in Maine's economy well into the next decade, the legislation establishing the OEC is due to sunset in July of 1995. We therefore encourage the Governor to:

Actions:

- Insure the OEC is given the highest priority by the Governor and demand that DECD's Commissioner be held closely accountable for insuring that the OEC fulfills all of its legislated mandates.
- Repeal the OEC's sunset provision for July 1995 and establish the OEC as a permanent office of state government until the work of conversion is finished.
- Increase OEC's biennium budget from \$237,000 that is currently proposed for FY 96-97 to \$500,000 and increase OEC's staff from one full-time professional staff person to at least three.

C. Appoint a Cabinet-Level Conversion “Czar” Accountable to the Governor

It has been suggested that a Cabinet-level individual be appointed by the Governor to oversee and coordinate Maine’s conversion programs. Maine is involved in a wide variety of public and private conversion initiatives on the local, county, state, New England and national levels. Although these programs hold great promise, many are unable to reach their full potential because of lack of oversight and coordination.

Maine could realize a much higher return on its investment in conversion if a single individual was responsible and accountable for oversight, coordination, building and better use of public/private partnerships, and an increased level of cooperation, communications and information sharing. The importance of having a Cabinet-level, single-point-of-contact for all of Maine’s public and private conversion programs cannot be overstated. This individual would be empowered to crossover the fray of interagency and public/private sector barriers by speaking as a single voice of official authority to encourage partnerships between businesses, organized labor, local communities, statewide organizations, federal and state agencies, Maine’s Legislature and Congressional delegation.

This new position would be complemented by DECD’s Office of Economic Conversion which would continue to work on day-to-day implementation efforts, project management, public awareness and clearinghouse functions, research and analysis, and support for the Task Force on Defense Realignment. The continued role of the Task Force in devising a statewide economic conversion strategy, proposing implementing initiatives and legislation, overseeing and evaluating implementation efforts, and assessing future impacts of federal defense spending on Maine’s economy remains critical as well.

The only change to consider in the original structure of the Task Force is to replace the DECD Commissioner with the Governor’s “Czar” as Task Force chair or, at minimum, have this person serve on the Task Force as its co-chair. The challenges and opportunities of defense conversion are so comprehensive, demanding, long-term and politically sensitive that we can ill afford not to have a senior, high-level official in the Governor’s Office devote his/her full attention to conversion activities in Maine.

U.S. Senator Olympia Snowe has proposed a similar White House-level position for the country’s national conversion efforts and Maine should do the same. We therefore encourage the Governor to:

Actions:

- Appoint a full-time, Cabinet-level defense conversion “Czar” who would report directly to the Governor.

2. Plan in Advance of Future Military Base Closures

A. **Implement Advance Contingency Planning for Possible Base Closures**

As we continue to experience the impacts of losing Loring and Pease Air Force bases, we are vulnerable to new and even greater impacts from potential future base closures. The final round of closures is coming in early 1995 and is expected to be the heaviest. The Portsmouth Naval Shipyard (PNSY) and/or Brunswick Naval Air Station (BNAS) might be targeted for closure. The impacts could be devastating to our already struggling regional and state economies.

Communities hosting these bases have vital efforts underway to keep their installations off the early 1995 base closure list. They are also trying to diversify their local economies as a longer-term hedge against the impact of possible closure. Unfortunately, these communities are not concurrently developing advance contingency base closure plans to prepare themselves for the possibility that their "save our base" efforts fail. Just as worrisome is the fact that state government has itself failed to develop any contingency plans to help Maine respond to the real possibility of losing a major military base next year.

It is uncommon for communities throughout the country to plan ahead to prepare themselves for base closures because they fear such efforts will invite the federal government to close their bases (please refer to the ECP's Policy Recommendations to the National Economic Council dated December 29, 1993). However, federal officials deny disincentives exist for advance planning. Legislation, initiated by the ECP and sponsored by U.S. Sen. Cohen and U.S. Rep. Andrews, was recently passed by the U. S. Congress. The legislation prohibits the government from considering advance planning in their base closure decisions, in effect, encouraging communities to plan ahead to mitigate potential impacts.

The importance of advance planning as well as legislated assurances by Congress has received widespread and strong state and national support (please refer to the ECP's endorsement list dated November 1, 1994). We therefore encourage the Governor to:

Actions:

- Create an Advance Contingency Planning & Rapid Response (CPR) Team by Executive Order in January, 1995. Task the CPR team to prepare a rapid response contingency plan for implementation if PNSY or BNAS is targeted for closure in 1995.
- Provide the CPR team with strong political support, administrative resources and technical assistance.
- Insure that two-thirds of the CPR team consists of regional representatives surrounding PNSY and BNAS, and the balance of its members from state-wide community, labor and business organizations. Additional members should come from the state legislature and appropriate state and federal agencies.

3. Build Partnerships for New Commercial Markets & Job Opportunities

A. Build Partnerships to Stimulate New Market & Product Development

Maine's defense manufacturing companies are losing military contracts and laying off many skilled workers. These companies now have excess production capacities and a wealth of technologies that hold tremendous promise for commercial use in civilian markets.

Unfortunately, developing new commercial markets is often cited as the greatest challenge for defense firms coupled with the demand to modernize their manufacturing capabilities and increase their level of competitiveness. Moreover, successful development of new markets and products for Maine's civilian-based industries is just as important as developing defense conversion markets because expanding civilian industries can help absorb workers dislocated by defense downsizing.

Building public/private partnerships or consortia between businesses, public institutions and private organizations with related interests represents a powerful and cost-effective strategy to help create new markets and products, introduce innovative manufacturing technologies, and cluster specialized industry sectors. Other states and regions have formed successful public/private partnerships to "jump-start" the creation of new industries, markets and products around electric vehicles, semiconductors, alternative energy technologies, textiles and aircraft parts manufacturing.

State government can help grow these partnerships through existing means including the use of political leadership, strategic economic planning, industrial policy formation, regulatory policies (eg. transportation, public utilities, pollution control, clean-up and prevention), tax incentives, government purchasing of goods and services, as well as by targeting public investment (eg. state spending) in education, infrastructure, business assistance, economic development, and science and technology.

If Maine leverages these public policies and resources more strategically, we can attract greater private investments as well as increase Maine's access to existing sources of federal funds for research, technology innovation and market development that are currently available to public/private industry consortia.

Although Maine needs to stimulate similar partnerships for new high growth and value-added industries of the future, it is also important to support existing public/private consortia. Specifically, Maine has a number of consortia in biotechnology, environmental goods and services, agricultural food products, advanced electronics, commercial shipbuilding, telecommunications, fabricated metal products, value-added wood products, advanced materials, and aquaculture.

All of these industry consortia would benefit greatly if Maine were to adopt a comprehensive and strategic economic development plan and industrial policy to help build Maine's economic and business development capacity. These efforts would benefit from increased public investment as well as government regulatory,

taxation and purchasing authority focused on strategic industry sectors. The success of public/private partnerships such as these offer Maine the best chance for long-term, sustainable and prosperous economic development and employment opportunities in the new post Cold War economy. We therefore encourage the Governor to:

Actions:

- Adopt a long-term, sustainable and strategic economic development plan for Maine.
- Create a state industrial policy that recognizes and supports strategic industrial sectors.
- Integrate Maine's competitive advantages into economic development plans and industrial policy (eg. telecommunications infrastructure, natural resources, quality of life, industrial base capacities, skilled workforce, proximity to European markets, access to maritime ports, railroads, highways and airports, etc.).
- Better support public/private industry partnerships through increased public support in Maine's economic development and business assistance capacity as well as better direct Maine's regulatory, taxation and purchasing authority to develop and strengthen strategic industry sectors.

B. Build Partnerships to Create a Micro Venture Capital Fund Consortium

The availability of micro or small scale "seed" venture capital is vital to financing "early stage" phases of small business start-up enterprises or fledgling existing micro-enterprises. Seed capital is distinguished from conventional types of equity capital or "mezzanine" financing in that seed investments are generally longer-term investments (eg. more patient), and are usually for small equity requirements ranging from as low as \$10,000 to \$25,000 and up to \$50,000 to \$250,000. Seed capital can help finance new business planning and market feasibility studies as well as leverage existing state and federal research and development grants for product development and manufacturing innovation.

Having seed capital available can equip the state with a powerful business development tool for business start-ups, attraction and retention -- which ultimately generates new employment opportunities and long-term economic growth and diversification. Unfortunately, Maine has traditionally been unable to attract an adequate supply of seed capital financing for entrepreneurs. This shortage of seed capital stems primarily from the expenses associated with underwriting and administering small scale deals as well as the high costs for venture capitalists to provide micro enterprises with highly specialized and intensive business management support.

A number of state governments have developed successful models for partially subsidizing investment infrastructure or networks, as well as creating financial incentives that encourage private investors to make seed capital available to entrepreneurs.

Additionally, some states provide modest amounts of general appropriations to initially capitalize venture seed capital funds as a means to attract larger sources of seed money from private investors. Other states have even earmarked very small portions of public pension funds for similar purposes.

Last year, the Legislature requested the Finance Authority of Maine (FAME) to review Maine's venture capital needs and assess possible opportunities to increase the availability of equity capital to businesses. FAME is due to report its findings early next year and we are hopeful that their efforts will identify new opportunities and strategies to increase the availability of not only mezzanine-level equity capital but, more importantly, seed capital resources. We therefore propose the following preliminary recommendations to the Governor subject to the findings of FAME's final report due in February, 1995:

Actions:

- Submit legislation to establish a public/private micro venture capital fund consortium (PVCF) pilot program. The PVCF would be responsible for the research, design and implementation of an effective infrastructure or network to facilitate the growth of seed capital equity formations from private investors.
- Provide public funding to help subsidize the initial start-up, administrative and transaction costs incurred by the PVCF.
- Provide state appropriations to help in the initial capitalization of a PVCF with the requirement that these funds be repaid to the state after 15 to 20 years and that the fund itself become self-sustaining and eventually weaned off public support or subsidies over time.
- Stipulate the requirement that the PVCF be implemented by the private sector with public oversight and accountability provided through FAME.
- Explore opportunities to place public monies with private sector venture capitalists who are willing and able to invest these funds in small scale deals in Maine.
- Charge the PVCF with devising public regulatory and tax incentives that would attract greater private sector investments for new businesses in need of seed capital.
- Task the PVCF with pursuing potential opportunities for public and private pension funds to help capitalize a PVCF program in the future as well as try to leverage federal resources for similar purposes.
- Require the PVCF to target strategic industry sectors such as biotechnology, fabricated metal and electronic products, conversion of military technologies, value-added wood and agricultural foods products, environmental technologies, transportation, aquaculture, etc. However, insure flexibility exists for PVCF investments to capitalize on emerging industries that may not yet be identified but may represent important opportunities for Maine in the future.

C. Build Partnerships to Revive Manufacturing Industries with Science & Technology

The persistent decline of our defense and non-defense manufacturing base needs to be reversed. To reverse this trend, public and private investments need to be made in new high-performance work organization practices and advanced manufacturing technologies that can better enable firms to develop new products and markets as well as compete more effectively in new global industries.

A number of Maine businesses have already demonstrated their willingness to invest their own money for similar purposes while the federal government has increased public funding to support related manufacturing modernization programs. However, Maine has a poor record of matching these investments with public resources and fails to adequately support its overall science, technology and economic development capacity.

If Maine wants to revive its manufacturing industrial base and see it successfully compete in a new world economy, we have to be willing to help support its long-term investment requirement today.

A particularly important capacity to strengthen with public investment is Maine's science and technology development capacity. One vital component of this public infrastructure includes the Maine Science and Technology Foundation and its three centers of innovation that support our biotechnology, metals and electronics, and aquaculture industries. Another equally important part of this capacity is the science and technology education and industry extension programs available through the University of Maine System and Maine Technical College System.

More important than creating new programs, however, is the need to sustain, upgrade and strengthen existing programs at MSTF, UMS and MTCS that are vital to Maine's strategic long-term socioeconomic interests. It is essential that state government resist cutting already underfunded programs during lean budget times and find ways to increase the public's investment in vital science and technology programs for education and manufacturing industries.

This could mean consolidating or doing away with existing programs of marginal value to release funds for more strategic programs. Although some programs may be canceled, Maine's overall net investment in science and technology requires increased funding. One benchmark we can use to establish future goals and performance measures is the grading system developed by the Corporation for Enterprise Development. CED has historically given Maine poor ratings for its science, technology and economic development capacity. This trend must be reversed through increased public and private sector participation and investment. This support must be clearly targeted, strategic in nature and followed through with long-term commitments and focus.

Increased budgetary constraints make it even more important for these institutions to meet high standards of accountability for the public's return on its investment in terms of improved quality of education for technical students, the number and quality of jobs retained or created by business, new business start-ups and expansions, markets or products created and the net effect on the growth of tax revenues and private payrolls.

Most importantly, public investment must be directly linked to an industrial policy and long-term sustainable economic development strategy for Maine to guide and measure the effectiveness of our public investment choices. It is critical that Maine develop, adopt and implement a sustainable economic development strategy, and an integrated industrial policy that identifies and prioritizes strategic industry sectors which are central to achieving Maine's long-term sustainable economic development goals. Development of Maine's strategic industries can be stimulated by public investment as well as government regulatory policies and purchasing.

Science and technology programs also need to be more customer driven by private businesses and institutional researchers if Maine is to receive the highest possible return on its public investment. Greater accountability for these investments is being demanded from technical students and trade skill workers as well. Workers not only pay for many of the direct costs for technical education, they want to develop skills that are marketable to technology-driven companies. These companies offer better wages for workers, enabling them to increase their earning capacity and improve their standard of living. Providing winning public investment opportunities for workers and industry is vital to Maine's efforts to grow a more sustainable and stronger economy. We therefore encourage the Governor to:

Actions:

- Adopt a long-term, sustainable economic development strategy and industrial policy for Maine. Insure that this effort clearly prioritizes strategic industry sectors deemed essential to achieving Maine's economic development goals. Insist that Maine link its economic plans and industrial policies to public investment, regulatory policies and government purchasing decisions.
- Increase Maine's public investment in the Maine Science and Technology Foundation and its three centers for innovation.
- Support the proposed Maine Science and Technology Investment Fund which will greatly increase MSTF's ability to compete for federal science and technology grants with state match requirements as well as strengthen MSTF's ability to support long-term industry technology development initiatives.
- Provide greater support for science and technology education and industry programs at the University of Maine System and Maine Technical College System.
- Demand greater accountability and higher returns on the public's investment in science and technology with benchmarking criteria including jobs retained and/or created, increased employee benefits, wages, job security and standard of living, business start-ups and expansions, and environmental protection.

D. Build Partnerships to Improve Workforce Skill Enhancement & Job Training

Workforce development and training programs need to be more closely linked to an overall strategic economic development plan for Maine. Workforce education investment decisions should be informed by an overall strategic plan for Maine that helps define where job growth should and will occur as a result of broader market trends and economic development policies.

Moreover, worker education and training systems ought to be open to more vigorous competition, with workers empowered to choose among a variety of public and private programs. Finally, programs need to be better designed to increase employment security and accelerate worker transitions from previous jobs to new employment opportunities. We therefore encourage the Governor to:

Actions:

- Insure that public investment in worker education and training be tied more strategically to a state economic development plan and industrial policy.
- Insure that public investment in worker education and training be open to broader competition from private sector service providers.
- Demand that public investment in education and training are designed to give workers increased employment security, higher wage earning capacity, and greater ability to transition from job to job as new employment opportunities arise.

About the Maine Economic Conversion Project

The Maine Economic Conversion Project (ECP) is a private, non-profit, volunteer coalition of Maine people and organizations. It was founded in 1989 to help Maine organize a proactive economic conversion and development strategy to minimize the impacts and maximize the opportunities posed by changes in federal spending priorities. It receives funding from state and national foundations including UNUM Foundation, John D. & Catherine T. MacArthur Foundation, Joyce-Mertz Gilmore Foundation and from organizations including Bath Iron Works, National Semiconductor, CMP, NYNEX, Northern Utilities, Maine AFL-CIO and Maine Teachers Association. With a staff of two, the ECP manages an annual budget (1994) of \$177,500.

Mission

The ECP works with individuals and organizations in the public, private and non-profit sectors to promote and use defense downsizing and conversion as a sustainable economic development opportunity.

Goals

To achieve its goals the ECP provides research, education, and evaluation; forms partnerships to build capacity; informs policy; and serves as a clearinghouse and catalyst to bring people, ideas and resources together to:

1. Help defense-dependent businesses, workers and communities shift to civilian enterprise
2. Stimulate new commercial business and job opportunities by redirecting public policies and resources from military to new areas of public need
3. Encourage entrepreneurial initiative to reallocate and utilize resources freed up by defense downsizing
4. Promote economic, environmental and social policies and practices toward achieving a diverse, just and sustainable economy

Guiding Principles

1. Sustainable Development to meet the needs of the present without compromising the ability and opportunity of future generations to meet their own needs.
2. New Social Compact between labor, community, business and government to address the problems and opportunities we face in converting our economy and to build new economic partnerships to revitalize and sustain our economy, environment and the welfare of our people.
3. Participatory Democracy to involve every segment of society in the public policymaking process to participate equally in the decisions that affect all of our lives.

MAINE ECONOMIC CONVERSION PROJECT

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