

Shakeup Sought For Economic Agency

By Benjamin N. Gedan
Journal Staff Writer

PROVIDENCE — A panel reviewing the state's economic development agency issued a blistering report Tuesday, criticizing its performance as "fragmented, disjointed and without focus."

The panel, led by Hasbro chairman Alfred J. Verrecchia, called for the resignation of all eight members of the Economic Development Corporation's board and recommended a nationwide search for a new director.

The EDC director, who is the governor's top economic adviser, oversees a \$5-million budget and 43 employees. The last director, Saul Kaplan, resigned in December.

The report comes amid growing pressure on the EDC to nurse the state's sickly economy back to health — or at least to slow its decline. Rhode Island's unemployment rate is 10.5 percent, its highest in three decades. No sectors of the economy are growing and businesses throughout the state are collapsing at an alarming clip.

Governor Carcieri on Tuesday endorsed most of the panel's findings and said the hunt for a new director would begin immediately, with the 10-member review panel serving as a search committee. The effort, he said, will be modeled on the recruitment of the director of the state Department of Transportation — Michael P. Lewis, who oversaw Boston's Big Dig — and the head of T.F. Green Airport — Kevin A. Dillon, who ran Manchester-Boston Regional Airport.

The EDC's interim director, J. Michael Saul, is eligible to apply. During lengthy opening remarks, Carcieri did not mention Saul's four-month tenure, though he later acknowledged his service. In releasing the panel's report — the result of weekly meetings since December and interviews with businesses and lawmakers — Verrecchia likened the EDC to a "basket of frogs," bursting with directionless energy. The agency has struggled to recruit large, out-of-state businesses, he said, while gaining a reputation as being indifferent to small, local firms.

The EDC, the panel found, has rarely coordinated with the legislature or the governor, and it has failed to market the Ocean State as a business-friendly destination. For the latter task, the panel recommended the creation of a public-private partnership to guide business recruitment. "Immediate, systematic change is required," it said.

The panel also called for the dissolution of the Economic Policy Council, an advisory board populated by some of the state's best-known business executives. If lawmakers agree, its functions would be swallowed by an expanded EDC board that would set and implement economic policy. Governor Carcieri, the former chief executive of Cookson America, had been expected to rejuvenate the state's economic development operations after taking office in 2003. But there has been little improvement, according to the panel's findings. The level of economic development, the report said, "has been unsatisfactory for over a decade."

continued next page

EDC Shakeup

Rhode Island recorded steady job growth during Carcieri's first term, and the governor pointed to the expansion of companies such as Fidelity Investments and Amgen as proof of a metamorphosis from old-line manufacturing to a knowledge economy.

The recession, however, has revealed profound structural weaknesses. "Our state was extraordinarily vulnerable to the downturn," Carcieri said Tuesday. "We have not reshaped it fast enough." Given the severity of the downturn, the panel's recommendations were relatively modest and largely logistical. The report did not address strategic issues, such as what industries Rhode Island should target for investment and recruitment.

Though the report said Rhode Island's economic development spending is "among the lowest in the country," there was no call for a large increase in resources. The high taxes and chronic problems in the state's public schools that have long discouraged entrepreneurs were mentioned only in passing.

"They're working with a very weak foundation," said Kipp L. Bradford, a professor of entrepreneurship at Brown University who advises companies on new product and technology development. Those challenges will continue to haunt the EDC, regardless of its director or board membership, said Robert D. Atkinson, president of The Information Technology and Innovation Foundation, in Washington, D.C., and a former director of the Economic Policy Council.

"Marketing is not the challenge here, it's something more fundamental," Atkinson said. "You've to get those right before you can be a player."

Even fans of the agency say its comparatively small budget has curbed its effectiveness, limiting small business loans and grants to promote promising research and development.

Keith W. Stokes, an EDC board member since 1994, said the state has borrowed tens of millions of dollars for educational and environmental projects. Economic development, he said, has rarely been a priority.

Rick Norberg, president of RhodeOne Technology Solutions, a Pawtucket consultancy, agreed. "Their hands are really tied," he said of the EDC. "They don't have any funding, they don't have any resources."

bgedan@projo.com