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# **IBC Annual Partnership Dinner**

## **Remarks by Todd Raba**

January 31, 2005

Governor Vilsack, members of the General Assembly, and invited guests: Good evening and welcome to our 19<sup>th</sup> Annual Iowa Business Council Partnership Dinner. I'm Todd Raba, President of MidAmerican Energy Company and the incoming Chair of the Iowa Business Council. It is customary to have the outgoing Chair of the Business Council speak at this event, but John Forsyth, who has led the Council for the past year, was unable to be here tonight. John has done an outstanding job of leading the Council this past year, and I'm sorry he can't be here to report on his successful and productive year as Chair.

I have learned over the years that this is an opportunity to showcase the wonderful spirit of cooperation and collaboration that exists between the private and public sectors in our great state.

For those of you who are new to the Iowa Business Council, let me give you a short background on the Council.

In 1985, at the height of Iowa's economic downturn, the IBC was formed to assist the state's leaders in developing strategies for economic growth. The focus of the IBC has evolved over time -- from conducting research, analyzing results, and advising policymakers to a broader role of advocacy and leadership on behalf of the state.

The IBC is comprised of the top executive of 23 of Iowa's largest employers. With a combined workforce of over 150,000 Iowans and capital assets of over \$20 billion located throughout the state of Iowa, our individual and collective future is tied to the vitality of our state. The Council is non-partisan and supported solely by our members.

We discuss long-term statewide issues that are fundamental to fostering both a strong economy and a healthy business climate while paying close attention to the state's economic "vital signs."

In 2002, with the support of the Iowa Chamber Alliance, we formed the Iowa Coalition for Innovation and Growth, a framework for leaders to come together and coalesce around strategic economic initiatives -- moving them from theory to action. Self-directed, action-oriented and results-focused teams -- we call them "hot teams -- comprised of leaders in business, industry, education and government, have been working hard and accomplishing great things. Current hot

teams include Entrepreneurial Formation, Advanced Manufacturing, Enhance Business Development Processes, and Health Care Lean.

In 2004, we began to issue a semi-annual scorecard on the Iowa economy from our members' perspective. I am pleased to report that 79 percent of our members who responded to our most recent survey indicated that they expect their sales to increase over the next six months. Two-thirds expect to increase their capital spending in Iowa and say they will also increase the number of people they employ in Iowa over the next six months. These results are a considerable improvement from last year at this time, and outpace national trends. We see this as another signal that Iowa's economy is rebounding.

The question is: What needs to be done to ensure that these positive trends continue? How do we make sure Iowa's economy continues to compete and win in the national and global marketplace?

According to a recent study by the Council on Competitiveness, **innovation** will be the single most important factor in determining success in the 21<sup>st</sup> century.

We must craft bold, aggressive and new public policies that help Iowa's small and large companies become more productive and our *workers* more skilled and agile. We must enhance our state's ability to specialize in innovative, valued-added work – work that will result in real “wealth creation.”

As I mentioned, our focus is on major issues that can improve the lives of Iowans, irrespective of party affiliation, location or other policy interests. To this end, a year ago the IBC created a two-year agenda focusing on four areas – Education, Economic Development, Health Care and Process Improvement. We believe all four of these areas are critical to developing a robust economy and all are interconnected. Let me briefly address each of these areas.

First, from our perspective, Education is a key to Iowa's future success. The shift to a knowledge-based economy makes it critical that workers are proficient in math, reading and science. Global competition is putting a premium on an educated workforce.

Our challenge is that we are not on track to maintain, much less enhance, our competitiveness. A recent study of 15-year-olds shows the U.S. is 28<sup>th</sup> out of 41 countries, including 22<sup>nd</sup> in science and 19<sup>th</sup> in reading. It is especially disheartening to hear that, as U.S. students progress through school, performance actually **declines** against other countries.

For a state historically known for its commitment to education, we cannot sit on the sidelines and watch. We must take the lead! We must re-dedicate ourselves to education.

This means adequate funding while, at the same time, demanding improved efficiency from the educational establishment. It means setting statewide standards for excellence and demanding results commensurate with those expectations. At the same time, it means demanding our governance systems function effectively as public stewards and not just as advocates.

If education is a root of economic development, then where do we start? There is strong evidence that, when children begin school behind, they tend to continue to fall further and further behind.

By making affordable high quality early childhood education available to all children, there are long-term, positive outcomes and cost savings: improved school performance, lower dropout rates, and increased lifelong learning and earning potential. Thus, one key to future success is *high-quality* early childhood education. We believe – as does the Governor – that we need to raise the quality of the early childhood care and education our children are currently receiving. Parents need to know what to look for, what questions to ask, and what to demand from their caregivers and teachers.

We applaud Governor Vilsack and the Iowa Learns Council for setting goals to improve early childhood education for our children and we encourage the legislature to have a good healthy debate around those goals.

We believe that business needs to step up to the plate as well because the future success of our businesses is tied directly to the availability of a quality workforce. The Business Council has created a task force to look into issues surrounding early childhood education and we are willing to work in a collaborative way with other groups or individuals.

We realize that this is a long-term focus. We recognize that we, as a state, might not reap the benefits for a generation. But, we cannot afford to wait to get started as we are already falling behind! Forty states have some kind of state financed, quality, pre-kindergarten program in place. Despite the recent budget deficits, 15 states have increased funding to insure quality, pre-kindergarten programs, and some have even committed to providing quality pre-kindergarten programs for all families who wish to enroll their children.

Another key is the transformation of our K-12 educational system. We need to ensure that our schools are operating as efficiently as possible so that any excess resources can be redeployed. There must be accountability from bottom up and top down. Students must be accountable for their achievement; teachers for what they teach; and administrators for the support they give to their students and teaching staff. Professional development must be research-based.

The IBC continues to support a change in the compensation system for teachers and administrators that is market-based and driven, in large part, by student achievement.

Our higher education institutions are critical to economic growth because they supply the intellectual capital and the innovative capacity necessary for a knowledge-based economy. According to the Council on Competitiveness, in their recently released National Innovation Report, the number of jobs requiring technical training is growing at five times the rate of other occupations, yet the number of students entering the science and engineering workforce is declining in the U.S. Higher education in Iowa needs to actively participate in the educational transformation process if our state is going to reach its potential.

And, this leads me to address our second area of focus: Economic Development.

Becoming and staying competitive is a continuous process. Competing states and foreign countries are consistently raising the “high bar” for our state and our country.

We must all work together to do what it takes to create an economy that is competitive, diverse, and attractive to business; one that maintains and expands assets and capital; an economy that maintains and creates jobs in both rural and urban settings.

The Council supports the concepts and strategies outlined in the recent Battelle Memorial Institute Report and believes it provides a basic roadmap for a robust bio-economy, based on Iowa’s comparative strengths in life sciences.

We fully agree that there is tremendous economic potential for our state in the area of biotechnology. Several members of our Council have volunteered to work with the Iowa Department of Economic Development to make this a reality.

At the same time, we must not lose focus on the other strengths we enjoy here in Iowa centered on advanced manufacturing, insurance and financial services, and information solutions. We believe roadmaps should be prepared for these areas as well. We are pleased to hear that Director Blouin has recently engaged Battelle to do just that!

There are other areas of competitiveness that must also be addressed. One such area is taxation.

The IBC supports fair and equitable tax structure to fund the state’s priorities. But, we urge the Governor and legislators to avoid fiscal actions that will further erode the state’s competitiveness or impede economic recovery and growth, such as shifting the tax burden to the business segment of our economy.

We support the elimination of federal deductibility from personal income tax provided such elimination is revenue neutral for taxpayers in each tax bracket.

We realize that state and local governments are finding that tax revenues are not sufficient to meet the demands that Iowans place on government for public services, education and economic development.

Now is the time for collaborative solutions involving the public and the private sectors.

It's time we break down barriers and work in partnership to find incentives that will encourage regional collaboration for delivery of public services and economic development.

Finally, the IBC was an early supporter of the Grow Iowa Values Fund, and we continue to support permanent funding.

Our third area of focus is Health Care.

By most measures, Iowans have access to one of the finest health care delivery systems in the country. This is important for retaining and attracting businesses to our state. But, Iowa employers – like those around the country -- are facing rapidly increasing health care costs.

Our competitive reality is that IBC members, like most employers in Iowa, want to provide high quality health benefits to their employees while delivering profitable growth. In addition, this is becoming increasingly more difficult.

Many factors threaten the current infrastructure of Iowa's health delivery system, including: (1) a population aging faster than the national average (economic development a key); (2) inadequate and shrinking payments to providers of care from government programs; (3) the growing number of uninsured individuals (although Iowa continues to rank among the lowest in the country); (4) rapidly increasing prescription drug costs; (5) tremendous technological advances that greatly improve quality and length of life but always cost more; (6) a deficiency in the public's health literacy; and (7) sharply increasing medical malpractice costs.

The IBC supports working collaboratively in the areas of Medicare equity, relief from increasing malpractice insurance rates, consumer education, and continuous process improvement for providers of health care.

No *one* constituency should disproportionately bear the expense of providing health care, and all concerned parties need to understand the costs and impact of individual health care decisions.

To this end, the Council is engaging in best practice sharing of employee wellness and health literacy programs for its member companies. We are working collaboratively with hospitals to capitalize on process improvement techniques, like "Lean Enterprise," to bring greater efficiency to our health care system and to reduce the number of medical errors.

The fourth area of focus for the IBC is Process Improvement.

I close with Process Improvement because the IBC believes that continuous process improvement has and continues to be a key to the success of many of our businesses and should be a core factor in improving education, health care and economic development. We stand ready to partner by sharing tools that our members are using every day to improve our processes and free up resources to redirect to more value-added areas. Some of this has already begun with the assistance of the IBC.

The Business Processes hot team, initially partnering with the Iowa Department of Natural Resources and now with IDED and Workforce Development, has been highly successful in demonstrating that *business* tools can work effectively in government.

I previously mentioned our initiative within health care, where the initial savings are impressive. In addition, a number of our member companies have recently volunteered to assist the Regents' enterprise on their transformation journey.

It is through utilization of these tools that the State of Iowa will increase its competitiveness. We offer our commitment to continue to work with the Governor and General Assembly to improve the economic climate and direction of our great state.