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(slide: IBC logo/event description)

Governor Vilsack, fellow members of the Iowa Business Council, and invited guests --- good evening and welcome to the 20th Annual Iowa Business Council Partnership Program and Dinner. We are quite pleased to see such a large turnout for an evening that Council Members look forward to every year. This gathering provides an opportunity for the Chair of the Business Council to provide an update of progress the Council has made during the year and to offer insight into the upcoming year’s priorities.

But before we launch into these matters, first allow me to provide a little background for those of you who are unfamiliar with the Iowa Business Council.

2005 marked not only two decades of growth for the Iowa Business Council, but it was also a year of significant change. At the start of the year, Alexa Heffernan, the executive director of the Council, announced her retirement, effective in April. This occurred within days of my election as the chair, so it was my good fortune to start my tenure with a major job search. Fortunately, we were able to raid Governor Vilsack’s team and find an excellent replacement for Alexa. I am now pleased to introduce to you our new executive director of the Iowa Business Council, Elliott Smith. Elliott joins us after having served as a Member on the Iowa Utilities Board. Elliott is not a stranger to most of you. Prior to his appointment by the Governor to the IUB he served in various capacities with the Iowa Department of Economic Development, the Association of Business & Industry, and the Iowa Taxpayers Association. We expect this breadth of experience to continue serving the Iowa business community generally, and the Business Council membership in particular, for many years to come. Please join me in welcoming Elliott!

After ten years of service to the organization, Robin Allen --- the voice most you heard when calling into IBC’s office --- also decided to retire (do you sense a pattern here?). Again, we were

able to find an able replacement. Now on board is our new Operations Administrator, Natalie Hanson, whom you may have met at the registration table upon arriving this evening. We offer our sincere thanks and best wishes to Robin for her dedication and hard work, and ask you to welcome Natalie as well!

Lastly, you may know that the chair of the Business Council is a one year position, and my term ends tonight. I'll be handing over the reigns of the Council to the very able leadership of Max Phillips, President of Qwest Iowa. Max, congratulations, and I hope your whole staff doesn't quit on you during your tenure.

(slide: "What is the Iowa Business Council?" - #1)

So what is the Iowa Business Council? It's a non-profit, non-partisan, self-funded organization whose 24 members include the top executives of 20 of the largest businesses in the state, the three Regent university presidents, and Iowa's largest banking association. Collectively, these companies and institutions employ more than 180,000 Iowans and have made over \$25 billion worth of capital investments in the state.

(slide: "IBC Mission" - #2)

The Presidents and CEOs that constitute Council membership represent long-standing corporate citizens and educational institutions, some having been established as far back as the 1840s. They have invested human and financial resources in Iowa because they recognize the diverse spirit of the state's economy, benefit from the enduring work ethic of its citizens, and share the expectation of prosperity envisioned by its leaders. To that end, the Council's Mission Statement asserts the dedication --- the personal commitment --- of its members to assume active leadership roles on major initiatives that offer opportunity to enhance our state's overall economic vitality and improve the lives of Iowans.

(slide: "IBC Today" - #4)

The Iowa Business Council consists of the companies and institutions you see on the roster behind me. The focus of the Council has evolved over the last 20 years -- from one of

conducting research, analyzing results, and advising policymakers to a broader role of policy development, advocacy, and leadership.

(slide: Iowa map showing Council member locations in Iowa - #5)

The reach and impact of Council members' business operations is broad-based, with facilities located in nearly 70 counties and employing Iowans statewide.

(slide: "Iowa Business Council Members" corporate logos - #6)

Council members discuss issues that are fundamental to fostering both a strong economy and an attractive business climate in Iowa, while paying close attention to the state's economic "vital signs." One tool used in this effort is the Business Council's own widely reported *Quarterly Economic Outlook Survey*, a poll that asks the 20 corporate Council members about their respective companies' sales, capital investment, and employment prospects for the coming six months. The survey is conducted to help inform Iowans and Iowa businesses about projected trends in the state's economy, which may prove useful for business and economic planning purposes.

(slide: 2005Q4 IBC Economic Outlook Survey title - #7, & results grid)

I am pleased to report that the most recent Economic Outlook, released at the beginning of December, indicates 90% of surveyed Council members expect higher sales levels during the first half of 2006; 60% are planning for an increase in capital spending; and, 50% foresee adding to their employment levels. Maybe more significantly, none of the Council's corporate members predict lower sales, only 5% expect a decrease in capital spending, and only 5% anticipate cutting back on workforce. As I stated when the survey was released back on December 1st, "It appears that the Iowa economy will sustain the strong performance it has had during 2005 well into the coming year. Our member companies are providing strong evidence that the Iowa economy continues to be in a promising growth mode."

The important question we must ask at this point is the same one we seem to come back to every year at this time: What must be done to maintain these positive trends? How do we, as

concerned and engaged Iowans, make sure that our state's economy continues to compete and win in the national and global marketplace?

(slide: "IBC Focus Areas" – modified #8)

Over the last few years, the Council has focused on four key issue areas --- Education, Economic Development, Health Care, and Continuous Process Improvement. We believe all of these are critical to developing a robust and sustainable economy. Allow me to briefly address each one.

(slide: "Early Childhood Education" Research confirms . . . - #10)

The quality of a state's early childhood education system has become a key economic development issue in this country. It impacts *both* short-term and long-term workforce needs. Though most of a child's brain development occurs before age 6, Iowa has historically spent about one-tenth of its education dollars on pre-K learning. To offer an analogy, would you as leaders of your companies and institutions expend only 10% of the training money meant for a new hire during the first few months the person works for you? Why, then, would an education system wait until a young person's brain is nearly fully developed before expending the vast majority of available funding? Research confirms that once a child falls behind in learning, he or she tends to stay behind.

(slide: "Early Childhood Education" Long-term positive outcomes . . . - #11)

The long-term positive outcomes from an investment in early childhood education are hard to ignore. For every dollar invested in a child's pre-K education a return of at least seven dollars occurs overtime --- and some experts assert it's as high as a \$16 return on investment. A child exposed to a quality early childhood education is less likely to need special learning programs, and has a better chance of becoming a productive and self-sustaining member of society.

(slide: "Early Childhood Education" Effect of quality early childhood . . . - #12)

A quality early childhood education system also makes for a more productive and dedicated employee that misses work less frequently and, as a result, becomes a solid contributor to the company's bottom line.

(slide: “Early Childhood Education” Funding . . . - #13)

To be clear, the Business Council is pleased with the result from the 2005 Session of the General Assembly that bolstered Iowa’s early childhood education system. The \$21.1 million dollar appropriation for FY06 appears to be making a measurable difference in the scope and quality of pre-K education being offered in the state. The Council believes that this important issue needs more collaboration --- from business, education, and government leaders --- as we work together to build a world class early childhood education system, incorporating such a priority within the confines of a fiscally responsible budget.

(slide: “Early Childhood Summit” - #14)

To encourage further conversation about building a quality pre-K system in Iowa, Council members invite all of the business executives and politicians in this room to an Early Childhood Education Summit to be held on Wednesday, March 1, 2006, at the Hy-Vee Conference Center in West Des Moines. Key perspectives will be offered by leaders in State government, prominent business analysts, and experts in the field of early childhood brain research. We hope you will join our discussion on this very important topic.

(slide: ICIG title/logo)

In 2002, with the support of the Iowa Chamber Alliance, the Business Council formed the Iowa Coalition for Innovation and Growth, or ICIG. This is a framework for leaders in business, education, and government from around the state to come together on strategic economic initiatives. Active ICIG teams currently focus on the issues of Business Development & Process Enhancement, Health Care Lean, Entrepreneurial Formation, and Advanced Manufacturing.

(slide: “Lean Enterprise” - #15)

On average, up to 35% of an employee’s time is wasted each day on inefficient procedures. In health care, the number is 60%. The principles behind Lean Enterprise encourage on-going critical reviews of business practices, with the end result being a better trained and more efficiently positioned workforce. Job descriptions are streamlined, costs are reduced, and product quality improves. Several Business Council members have implemented continuous Lean practices within their companies, producing very impressive results --- Clay Jones of

Rockwell Collins, Stan Askren of HNI, Mel Haught of Pella Corporation, Bob Vermeer of Vermeer Manufacturing, Barry Schaffter of Deere & Company, and Tom Aller of Alliant Energy are just some of those who can provide anecdotal evidence of the process improvements Lean has brought to their companies.

(slide: “Lean in Health Care” - #17, modified)

Since the turn of the century, 266,000 fewer companies in the United States offer health insurance --- most of these being small to mid-size firms. An aging population, shrinking payments to providers of care from government programs, and escalating drug costs are just some of the factors causing businesses to reevaluate their employee health insurance benefits. With this as a backdrop, the state’s health care community has been actively seeking innovative ways to improve service efficiencies and minimize costs. Last fall Business Council member Donna Katen-Bahensky of the University of Iowa Hospitals & Clinics stepped forward and hosted three Lean events. The ICIG’s Health Care Lean team proceeded to post some truly impressive results, including: the hospital’s Heart Center increased its capacity to perform same-day “special,” or unscheduled, procedures by 50%; the Emergency Treatment Center increased its ability for patients to be seen in 30 minutes or less by 32%; and, the Cancer Center reduced patient wait time by 69%. The success of these University Hospital Lean events has generated enormous interest in the health care community statewide --- so much, in fact, that the Iowa Healthcare Collaborative has now offered to take over the duty of conducting future Lean events in medical facilities around Iowa and be responsible for follow-up. The Business Council applauds the Iowa Healthcare Collaborative --- a partnership of the Iowa Hospital Association and the Iowa Medical Society --- as the assumption of this activity is *exactly* the kind of end-result that any ICIG Team is meant to achieve.

(slide: “Lean in State Government” - #16, compilation)

It is the Council’s hope that the same success achieved by the Health Care Lean team can be duplicated in the near future by the ICIG Business Development & Process Improvement Lean team. Success with Lean in the private sector was the inspiration for attempting to build a similar culture of continuous process improvement within State government. It’s no secret that a competitive business climate requires regulatory functions to perform as efficiently as possible.

The Business Development & Process Improvement team has been very active, achieving impressive results within several State departments over the last three years, some of which you see on the screen behind me. The Business Council is pleased to recognize the heads of these many agencies for their foresight and courage to conduct intensive Lean events. The Council also supports the FY07 budget request of the Department of Management to fund a permanent Officer of Lean Enterprise within the State's executive branch, a development we believe will lead to more efficient use of human resources and allow for more prudent distribution of appropriations within those departments.

(slide: "Entrepreneurial Formation")

ICIG's Entrepreneurial Formation team continues its efforts to position Iowa as a place where dynamic, high-growth businesses can compete for investment capital and prosper. The team has created a unique Web site at www.IowaEntrepreneur.com, where a virtual community-of-practice exists for all entrepreneurs in the state --- accessible by anyone with an idea and vision. The Council believes in the value of collaborating with groups such as the Biosciences Alliance of Iowa, the Iowa Biotechnology Association, and the Technology Association of Iowa --- all of which provide a positive climate for venture capital attraction.

(slide: "Advanced Manufacturing")

With all of this said, the fact remains that manufacturing is a key economic driver for the state. When measuring the "Percentage of Total Gross State Product in Manufacturing," Iowa ranks 5th nationally with nearly 21%, or almost \$23 billion, of its GSP coming from heavy industry, having just moved ahead of Michigan in the latest U.S. Census Bureau statistics. According to the U.S. Census Bureau, exports of Iowa manufactured and processed goods grew to \$6.4 billion in 2004, a 22% increase over the previous year. Industrial machinery remains the state's biggest trading category accounting for \$1.4 billion worth of exports.

(slide: Advanced Manufacturing Conference event slide)

This manufacturing sector faces challenges, however, in the areas of technology integration, research, process efficiencies, and workforce shortages. To analyze and discuss these issues in

greater detail, the Iowa Business Council encourages you to attend a statewide Advanced Manufacturing Conference to be held May 16-17, 2006, at Kirkwood Community College in Cedar Rapids. We hope you will participate in this important event.

(slide: “Diversity”)

The U.S. Department of Labor predicts a shortage of 10 million skilled workers by 2010. In Iowa alone, the need for new employees by the end of the decade is in the tens of thousands. And while the population of the United States grew at a robust 4.3% during the four years since the last census, Iowa grew at a sluggish 1% pace. The Business Council has a growing concern about the workforce shortages our respective companies face in the future. As you’ve seen, most of the Council’s priorities revolve around enhancing the state’s ability to cultivate, attract, and retain the quality of workforce needed to compete in what’s now a global market for talent. I know Max agrees that this will be a key issue for the Council to wrestle with in the upcoming year and likely well into the future. It’s an issue we can’t tackle alone, and we look forward to working with all of you to find solutions that are right for Iowa.

(slide: “The Honorable Thomas J. Vilsack”)

And now, it is truly an honor for me to introduce Governor Tom Vilsack. I’m going to refrain from reciting your complete bio this year, Governor, since I believe you have had perfect attendance at this event during your tenure in Terrace Hill and your accomplishments are very well-known by this group. I will say that the Iowa Business Council appreciates how hard you have worked to keep the lines of communication open with the business community in general, and with the Business Council specifically. We look forward to continuing our dialogue with you and the legislative leadership in finding ways to advance the overall success of the state.

Council members, guests, ladies and gentlemen, please rise and join me in welcoming to the Iowa Business Council’s Annual Partnership Program, the Honorable Thomas J. Vilsack.