



The Lesson of South Carolina

We must work to improve Washington's business climate.

The Boeing Co.'s decision last year to locate its second 787 production line in South Carolina was disappointing news; however, it brought attention to a critically important topic: Washington's business climate.

Washington is the most trade-dependent state in the nation. We are the home to global leaders in aerospace, software, telecommunications, retail and agriculture, but increasingly, some wonder aloud whether we are taking these companies—and the jobs they provide—for granted. After all, in most cases, it is not the weather that keeps them here.

Innovative companies like Microsoft, Amazon, Boeing and hundreds of others are in global competition not only for customers, but also for human capital. They need to operate in a state with a rational, reasonably predictable and fair tax structure. Their operations must

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be in safe cities, with good schools and the amenities necessary to recruit—and keep—top talent. They must also be assured that the infrastructure necessary to move their people and their goods within and outside the region will be delivered and maintained.

So, what is the recipe for a successful business climate?

There probably is not one correct answer to this question. However, there are several commonly agreed-to necessary elements:

1. Stable tax and regulatory policies. This requirement means stable both on the rates of revenue generation and on the rates of spending. Governments at all levels must right-size operations to sustainable levels and end the cycle of overspending when economically sensitive revenues are rolling in, then having to declare a crisis when the economy cools off. My great-grandfather probably did not need to consult with a lawyer before he opened his saloon around 1890 in downtown Seattle. Today, the permit and regulatory process for startup businesses is daunting.

2. Making timely investments in infrastructure. While big investments deserve a robust and transparent public process, there comes a time when decisions have to be made and implemented. It took three decades to implement light rail. It took 13 years to agree on a plan to replace the 520 bridge. Several years ago, Microsoft started its own bus and shuttle system for its employees. What does that action say about the state of transportation in the region? If businesses cannot get their people to work and home in a reasonable period of time, they will grow somewhere else. We have to do better.

3. Maintain investments in our research universities and higher education. We have two great research universities in this state. They are important parts of our economy. The University of Washington is one of the largest employers in the Puget Sound region. It is a leading public university in terms of federally supported research. Washington State University's role in the state's agricultural industry cannot be understated. These institutions are important long-term investments in future innovation and jobs.

4. Improve public education. One of the first questions anyone contemplating a move to a new location asks is: "How are the schools?" Again, the manner in which we have gone about funding and regulating K-12 education has made it a tricky question to answer. The state's current financial predicament will adversely affect education, both its quality and competitiveness.

Successful companies, like successful sports teams, usually execute the fundamentals well. Creating a successful business climate in Washington state will require consensus on these fundamental principles and discipline by those in both government and business to stand by these necessary elements over the long haul.

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