

Business leaders hail jobs report; economists point out some flaws

By Jeff Rowe
The Orange County Register

Is the industrial era over in California?

That's the question economists and business people grappled with yet again Friday, a day after the release of a blistering report on the California economy by the Council of California Competitiveness.

The report, "California's Jobs and Future," was presented by council Chairman Peter Ueberroth on Thursday. The Newport Beach businessman chaired the 17-person panel commissioned four months ago by Gov. Pete Wilson.

In the 107-page report, the panel warned that California faces a quickening flight of business unless it drastically improves its school system, whittles regulatory hurdles, cuts the growing civil-ligi-

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tation forest, and reduces workers' compensation costs.

Yet some economists said Friday that even if California solves every problem raised in the report, an economy based on services and research and development will still replace manufacturing as part of a natural evolution of the state's economy.

Moreover, even council members concede that heavy manufacturing inevitably will be lost to states with lower labor and land costs.

However, the report suggests that an unjustly difficult business

climate is accelerating the process. That point is underscored by Carl Smith, president of Cam Data Systems, a Fountain Valley-based maker of retail computers and inventory-management systems.

"We are strongly considering relocating out of state," he said Friday. California's state tax has become a huge burden and workers' compensation claims "outlandish," he said.

Smith is considering moving his company, which employs about 60 people, to Texas, which doesn't have a state income tax.

Because so few copies of the report were printed, Smith and other business people and economists had read only media accounts of the report Friday.

But Smith's assessment echoes those that other business owners

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have made for years in California — that the difficult business climate is pushing away companies, and manufacturers in particular.

Moreover, the recession and downturn in aerospace clearly have exacerbated concerns the report raised — that California is over-regulated, over-litigated and under-educated.

Walt Disney Co., for example, cited conflicting requirements of local, state and federal agencies in its decision to drop plans to build an ocean-oriented theme park in Long Beach.

And the report's recommendation to reduce the thicket of regulatory hurdles found agreement with executives at AST Research, an Irvine-based computer maker. Often, the computer maker finds itself trying to weave a path through city, county, state and federal regulations that don't agree. "This is no way to run a railroad," complains Richard Ottaviano, vice president of human resources.

Still, some economists say that even if the state solves its workers' compensation dilemma, reduces the regulatory jungle and dramatically improves education, the industrial era is over in California.

Replacing it in much the same fashion as the industrial age replaced the agricultural economy will be an economy based on services and brains — research and development, computer-software manufacture and product design, for example.

"We have said in the past that manufacturing will flee," said Emanuel Adibi, director of Chapman University's Center for Economic Research, producer of two comprehensive reports annually on the

COUNCIL ON CALIFORNIA COMPETITIVENESS

REPORT HIGHLIGHTS

Major recommendations of the council:

Redesign state government at all levels.

Aggressively woo aerospace, manufacturing and advanced-technology industries.

Overhaul workers' compensation system, including repeal of minimum rate for insurance companies.

Streamline regulatory system by simplifying environmental permit procedures, create a special court for land-use appeals, and make regulations more flexible.

Tighten controls over educational costs, allow school vouchers, lengthen school year to 200 days and school day by one hour, and develop vocational education program linked closely to industry.

Encourage mediation to avoid litigation, limit punitive damages, penalize lawyers who file frivolous lawsuits, and repeal law that holds corporations criminally liable for their acts.

Reduce capital-gains taxes on small businesses and long-term investments, create tax incentives for plant expansion, set up new free-trade zones.

Require state workers to take customer-service training programs.

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SORRY, NO COPIES

Copies of the council's report, "California's Jobs and Future," were only made for the media and the governor's office. Although the state was inundated with thousands of calls asking for copies Friday, there are no plans, or funds, at present to print additional copies of the report.

county economy and several related reports.

Added David Brownstone, an economics professor at the University of California, Irvine: "The whole US economy is shifting away from manufacturing to services."

But Adibi, Brownstone and other economists agreed Friday that California's stringent environmental regulations and bloated workers' compensation program are accelerating the exodus of business.

"Some companies are just

hounded out of business," said Jack Keyser, chief economist for the Economic Development Corp. of Los Angeles, which tries to boost business in the five-county greater Los Angeles area.

"Some business flight is in the normal evolution of things," said Keyser, who was intrigued by the council's call for regulatory reform.

Many of the council's recommendations have been made before by other groups and agencies

at other times.

However, with his credentials as a no-nonsense executive who turned the 1984 Olympic Games into a profitable venture, Ueberroth's agenda for change carries clout.

Whether the state Legislature, business executives and education leaders will move to his call remains to be seen, however.

"I'm afraid this might go on the shelf and be another report that gathers dust," Keyser said.