

SENATE BILL REPORT

2SHB 1234

As Reported By Senate Committee On:
Economic Development, February 25, 2004

Title: An act relating to cluster-based economic development.

Brief Description: Establishing an industry cluster-based approach to economic development.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Pettigrew, Veloria, McCoy, Conway and Chase).

Brief History:

Committee Activity: Economic Development: 3/28/03, 4/2/03 [DPA]; 2/18/04, 2/25/04 [DPA].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

Majority Report: Do pass as amended.

Signed by Senators T. Sheldon, Chair; Hale, Kohl-Welles, Murray, Schmidt and Shin.

Staff: Jack Brummel (786-7428)

Background: Clusters are groups of complementary, competing, and interdependent industries that drive wealth creation in a region, primarily through export of goods and services. An industry cluster is different from the classic definition of industry sectors because it represents the entire value chain of a broadly-defined industry from suppliers to end products, including supporting services and specialized infrastructure. A cluster is a group of firms that is connected by the flow of goods and services, which is stronger than the flow linking them to the rest of the economy, and by geographic concentration of the related industries. Clusters represent a distinct way of organizing economic data and viewing the economy.

According to Michael Porter, the leading proponent of cluster-based economic analysis, viewing a group of companies and institutions as a cluster highlights opportunities for coordination and mutual improvement in areas of common concern without threatening or distorting competition. Viewing the world in terms of industries or narrow sectors such as automotive products, in contrast, often degenerates into lobbying over subsidies and tax breaks by the participating companies; the resulting public investments create fewer spillover benefits for other industries, thus distorting markets.

Summary of Amended Bill: The Department of Community, Trade, and Economic Development (CTED) is to work with industry and cluster associations, federal and state agencies, and others to develop industry cluster-based economic development strategies. Industry clusters targeted by CTED may include environmental technology, photonics, microelectronics, and robotics, among others. The department must evaluate the potential return to the state from devoting additional resources to identifying and assisting industry

clusters. In developing industry cluster-based strategies, CTED may conduct focus group discussions and studies, support the formation of industry cluster associations, and provide methods for communication among firms within industry clusters.

Amended Bill Compared to Second Substitute Bill: The amendment revises the legislative findings and modifies existing law to redirect CTED from a focus on targeted sectors to a focus on industry clusters.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The cluster approach has shown regional benefits. The goal is creation of family wage jobs. There is a need for research on emerging technologies to serve maritime clusters. Environmental technologies should be added as a cluster.

Testimony Against: None.

Testified: Jerry Smedes, N.W. Environmental Business Council; Phil Kitchel, Olympic Resources Co.; Paulette Degard, Industry Cluster Institute.