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**Introduction**

Chairman Bono Mack, Ranking Member Butterfield, and members of the Subcommittee, thank you for the opportunity to testify today on behalf of the Economic Development Administration (EDA). I look forward to discussing EDA's role in supporting President Obama's efforts to accelerate sustainable economic growth and job creation.

A few weeks ago, President Obama released his 2012 Budget Request, which represents a fiscally responsible plan to rebuild our economy and win the future by out-innovating, out-educating, and out-building our global competitors, and creating the jobs and industries of tomorrow.

The budget focuses federal resources in the critical areas of education, innovation, clean energy, and infrastructure. It also proposes to reform how Washington does business, putting more federal funding up for competition, cutting waste, and reorganizing government so that it better serves the American people.

All of us know that economic development is not easy, even during better times. And since the financial crisis, it's gotten much harder. We must deal with the reality that economic development has changed significantly in the 45 years since EDA was created.

We can no longer count on the “build it and they will come” economic development strategies of the 20<sup>th</sup> Century. These strategies won’t work in today’s global economy.

The Department of Commerce (DOC) and EDA are providing leadership to the Administration’s efforts to build a more innovation-driven, more entrepreneurial economy. In particular, to spur innovation, we must cultivate competitive, high-performing regional economies as the foundation for national growth.

Andy Grove, the former chairman and CEO of Intel, addressed this issue in an article for *Businessweek* called “How to Build an American Job.” He said, “A new industry needs an effective ecosystem in which technological know-how accumulates, experience builds on experience, and close relationships develop between supplier and customer.”

That’s why we launched the “Jobs and Innovation Partnership,” EDA’s initiative to help build such ecosystems, where the private sector can flourish and create the “connective tissue” that will bind together vibrant regional economies.

The Jobs and Innovation Partnership is built upon two key pillars: innovation and regional collaboration. Innovation – or the implementation of new ideas or recombination of old concepts in new ways - is the key to new and better jobs, a resilient economy, and global competitiveness. Regional collaboration is also essential in this economic competition. Regions that work together to leverage resources and build upon their unique comparative assets are better poised for economic success. We work with regions through this partnership to identify areas in which we could help strengthen ties for economic growth.

The Jobs and Innovation Partnership puts a premium on regional innovation cluster strategies as the platform for linking multiple initiatives across the Administration and the nation’s metropolitan and rural areas. At his Winning the Future Forum on Small Business in Cleveland last week, President Obama said that when it comes to clusters the

*“synergies that develop from all those different facets coming together can make the whole the greater than the sum of its parts.”*

Furthermore, the Jobs and Innovation Partnership involves sharing best practices from around the nation. In 2010, EDA, working with the State Science and Technology Institute, launched the Regional Innovation Acceleration Network (RIAN), which is going to help venture development organizations like JumpStart, Ben Franklin Technology Partners, and others, replicate their success on a national scale. Commerce Secretary Gary Locke also created the National Advisory Council for Innovation and Entrepreneurship (NACIE) to ensure that we are integrating the best ideas from private sector and civic leaders from around the country into our work. NACIE will offer policy recommendations that will facilitate economic growth through entrepreneurial activity, the commercialization of new ideas and technologies into high-growth, innovation-based businesses, access to capital, and ultimately job creation. The Council also serves as a vehicle for ongoing engagement with the entrepreneurship community and other stakeholders.

The Jobs and Innovation Partnership is designed to increase the effectiveness of EDA’s investments by cultivating public/private partnerships and supporting strategies that capitalize on regional assets and collaboration to create jobs and encourage business expansion. Importantly, the investments we make support bottom-up strategies developed by the local and regional leaders we serve. This orientation – that the best ideas bubble up from regional and small business leaders – is a critical element of the Jobs and Innovation Partnership.

Rather than pursuing a one-size-fits-all approach, EDA funds customized solutions such as innovation infrastructure investments, business incubation, revolving loan funds, planning grants, and other resources within urban, rural and regional economies. EDA’s unique portfolio of flexible programs allows us to respond to changing regional conditions faced by our local government and regional partners.

For example, EDA invested approximately \$2.25 million in JumpStart to promote innovation and small business development in the cities of Akron, Ohio; Detroit, Michigan.; Fort Wayne, Indiana.; Gary, Indiana.; St. Paul, Minnesota.; and Duluth, Minnesota. As part of President Obama's Startup America initiative, launched to accelerate the creation of high-growth companies and jobs, JumpStart has leveraged an estimated \$100 million in private investments, which grantees estimate have created nearly 950 jobs.

Just a few months ago, EDA provided a \$1.4 million grant to the city of Nashwauk, Minnesota to build the critical infrastructure needed to secure the development of the new Essar Steel Minnesota plant, a \$1.6 billion project projected by the grantee to create 2,800 full time jobs. This strategic infusion of public and private capital, talent, and innovation is creating a regional industry cluster focused on American steel production that can be exported to Canada and overseas markets.

In 2003, EDA invested in construction of a 23,324 square foot Water and Energy Technology Incubator in Central Valley, Fresno County. The mission of the Incubator is to nurture and grow water and energy technology businesses, create a network of high technology resources, develop incubation and business development partners, provide access to comprehensive services and create sustainable high growth. Since 2007 when the incubator opened, it has housed more than 15 Water and Energy Technology entrepreneurs, who have obtained over \$17 million in private capital and created jobs for Central Californians.

In September 2010, EDA provided \$1.6 million to the Pacific Northwest Diabetes Research Institute in Seattle, Washington, to fund the acquisition of new technology and upgrades of scientific equipment and instrumentation.. This project promotes innovation and intellectual property development in the health care industry, and supports bio-tech start-ups by providing shared scientific equipment and facilities in the fight to cure diabetes. This investment is part of a \$1.617 million project that the grantee estimates will create 515 jobs and generate \$1.3 million in private investment.

EDA's strategic investments enhance the competitiveness of America's communities, spur innovation and create jobs. EDA's flexible programs leverage private/public investments, support "bottom up" strategies, and build 21st century infrastructure. Its work is generating real returns: since the beginning of the Obama administration, EDA has funded public/private projects that grantees estimate have created 161,500 jobs. EDA estimates its return on investment to be \$6.90 per dollar invested based on the Agency's historical portfolio and findings from the Rutgers study which evaluated outcomes of EDA's investments.

### **America COMPETES**

The America COMPETES ("COMPETES") Reauthorization Act of 2010 supports EDA's Jobs and Innovation Partnership initiatives through the establishment of a Regional Innovation Program to encourage and support the development of regional innovation strategies.

Additionally, COMPETES supports the Administration's efforts to accelerate the commercialization of research. As Secretary Locke and others have said, we can't simply invest in Research & Development (R&D) and hope that some of this research is commercialized. We must have more effective systems to ensure that we accelerate the creation of new products, new industries and new jobs. This is the priority of the Commerce Department's recently established Office of Innovation and Entrepreneurship (OIE).

In 2010, EDA created the i6 Challenge, a national competition to target investments in America's commercialization infrastructure. Six winning projects were selected from a field of over eighty applications. One of the winning applicants was the University of Akron Research Foundation and Austen BioInnovation Institute in Akron, Ohio. Their project, the Innovative Solutions for Invention Xceleration, will increase innovation and accelerate commercialization of new technologies by bringing together world-class

scientists, physicians, engineers, researchers, and entrepreneurs in the biomedical device/product and polymer science industries of Northeast Ohio. This month, we will launch another round of the i6 Challenge to target additional investments designed to accelerate the commercialization of research and business formation.

EDA is also working hand-in-hand with other federal agencies to promote and advance regional collaboration. In 2010, the first pilot project of the White House Interagency Taskforce for the Advancement of Regional Innovation Clusters (TARIC) was launched. EDA took a leadership role in coordinating the first-ever joint Federal Funding Opportunity (FFO) involving six other federal agencies: the Department of Energy (DOE), DOC's National Institute of Standards and Technology/Manufacturing Extension Partnership (NIST/MEP), the Department of Labor (DOL), the Department of Education (ED), the Small Business Administration (SBA), and the National Science Foundation (NSF). The Taskforce selected energy efficient building systems design as the focus for its first pilot project, which will be anchored around a DOE-funded Energy Innovation Hub. EDA is investing \$5 million in this project.

In FY 2011, EDA is leading the TARIC in exploring inter-agency funding opportunities for supporting regional clusters. TARIC's efforts will further advance the Administration's regional innovation clusters (RIC) initiatives. TARIC's priorities include coordinating and leveraging federal resources to support the growth of existing RICs, and promoting the establishment of new RICs. TARIC's primary objectives include monitoring trends in regional innovation clusters, coordinating with federal staff in regional offices, and facilitating a unified federal response to requests for assistance from regions related to economic development, education, workforce, and entrepreneurship.

There should be no doubt that in today's global economy, regions matter. Today, our most serious competitors don't come from the town just down the road or across the state line. They come from around the world – from India, Germany, Singapore, China, and

too many other countries to name. At the end of the day, we all want the same thing: a better economic future. We want a future where sustained economic growth creates good jobs and rising incomes; where prosperity is fueled not by excessive debt, reckless speculation, and fleeing profit, but is instead built by skilled, productive workers; where sound investments spread opportunity at home and allow this nation to lead the world in the technologies, innovations, and discoveries that will shape the 21st century.

**Closing**

Chairman Bono Mack, Ranking Member Butterfield, and members of the Subcommittee, thank you for the opportunity to address EDA's efforts to enhance the global competitiveness of America's regions. I am proud of the agency's continued leadership on this issue and firmly believe that EDA will continue to be a catalyst for economic growth and job creation in our country. I look forward to working closely with Congress to strengthen our communities and small businesses and to provide them with the tools they need to keep America on top. Thank you, and I welcome any questions the committee may have.