

Climate warnings: A manufacturing summit says the state's icy to business

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The economy's recovering and jobs are coming back to California, but manufacturing executives, economists - and two former governors - who gathered Wednesday in Sacramento issued dire warnings that the state's business climate is wrecking its industrial base.



"We've got to level the playing field with other states," said Patricia Salas Pineda, the vice president for human resources at Bay Area auto plant New United Motor Manufacturing Inc.

Former Republican Govs. George Deukmejian and Pete Wilson also criticized lawmakers, with Wilson saying California was in danger of becoming "a second-rate manufacturing state."

But former Democratic Govs. Gray Davis and Jerry Brown, who were among the panelists at the conference, said the business climate wasn't in terrible shape.

While Brown, now Oakland's mayor, acknowledged that costs are too high, he said the state's economy is still capable of growth and told the audience, "A lot of what you call 'problems' are what other people call 'benefits.' "

And Davis - making his first public appearance in Sacramento since being recalled last October - defended his record on economic issues, saying he gave Californians billions in tax relief.

Davis, who signed some of the bills that the other speakers were denouncing, said he was trying to balance the scales between business and labor.

In an interview, Davis said he sought to make California "hospitable to business as well as workers."

He did urge the revival of the manufacturing investment tax credit, which was ended by the Legislature last year.

For the most part, the summit, sponsored by the California Manufacturers & Technology Association, was an occasion to bash California's regulatory and business climate.

Speaker after speaker noted the heavy toll on California manufacturing during the recession - the state has lost 351,000 manufacturing jobs since December 2000, according to the U.S. Bureau of Labor Statistics.

While some economists have said California didn't fare any worse in the recession than the nation as a whole, manufacturing executives at the conference said the state's high operating costs are scaring companies off.

Boeing Co. executive Howard Chambers, recalling a multistate bidding war last year for the right to build a new Boeing jetliner, said, "California made a serious bid but didn't get through the first round." The jets are being built in Washington state.

And while California remains the leading manufacturing state, with more than 1.5 million jobs, the state has lost a total of nearly 450,000 jobs since 1990.

Even biotech executive Carlyn Solomon - whose company was being honored as California's "Manufacturer of the Year" - spoke about the state's business climate problems and how they prompted the placement of facilities in other states and overseas.



Solomon, vice president of global operations at the Baxter BioScience division of Baxter International Inc., recalled being successfully wooed by government officials in places as far-flung as Singapore and Indiana.

"California, we can do better," he said.

The summit came as many economists believe California is finally gaining its fair share of the nation's recovery. The state added 23,600 jobs in May, the third straight month of job growth. The ailing manufacturing sector even showed positive signs in May, adding 400 jobs.

But Jack Kyser, chief economist at the Los Angeles County Economic Development Corp., said he believes California will lose a total of 22,000 manufacturing jobs this year.

And Larry Kosmont, a Southern California land-use consultant, said California is mostly creating low-paying retail jobs and is busily losing factory jobs to every other state.

Still, there were signs that the business climate remains something of a mixed bag.

On the one hand, financier Michael Milken, head of an economic think tank in Santa Monica that bears his name, presented a study that says California's manufacturing costs are the second highest in the nation and nearly 29 percent higher than the U.S. average. Only Hawaii has higher costs.

Yet on the other hand, he also noted that in his organization's new "Biotech Index," six of the top 12 U.S. cities for biotech are in California, with San Diego at the top.