

In this Issue

- The Other Economic Cliff: Why Business Investment is Really Nose-Diving
- Innovation Jumpstart: Six Policy Reforms Needed in America
- Big Data: Open Data v. Private Data? What the Future Holds
- MEMBERS IN THE NEWS

From NBLC's President & CEO



The holidays are upon us! Here is what NBLC wants from Santa:

- A speedy resolution that prevents the U.S. from going off the fiscal cliff
- Temperance by the super-majority of Democrats in the State Legislature who need to practice moderation in all things
- All North Bay leaders collectively working to close the achievement gap for Latino students, increase STEM majors and correct the skills mismatch between the workforce and the employers' needs
- Recognition that climate change is real, sea level is rising and we need to act now, especially here on the vulnerable coast of California
- Real modernization and reform of the California Environmental Quality Act (CEQA)

Let's hope we all get what we want from Santa this year!

Happy Holidays to you and yours!

Best,



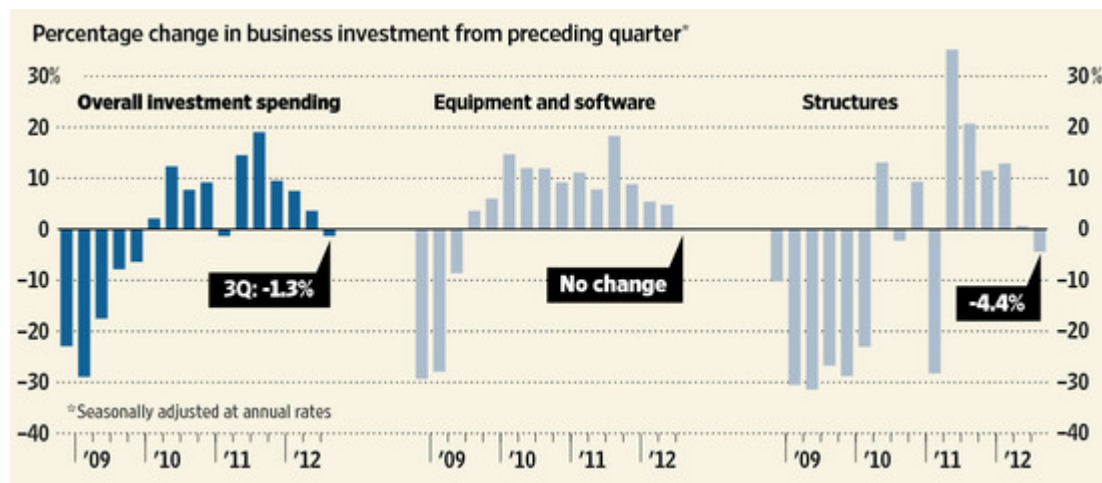
The Other Economic Cliff: Why Business Investment Is Really Nose-Diving

In "The Other Economic Cliff: Why Business Investment Is Really Nose-Diving," by Derek Thompson, The Atlantic, Nov. 19, 2012, we learn that both pessimists and optimists are right. That's because there are two economies at work now. There is the Home Economy and the Away Economy. Thompson says, "The American consumer is the most optimistic s/he's been since before the Obama presidency. Meanwhile, large U.S. companies are cutting spending at the fastest pace since the Great Recession. For the moment, imagine two American economies. The Home Economy and the Away Economy. In the Home Economy, there is mostly good news to report, so long as Washington doesn't screw it up. GDP growth and job growth have been steady, if slow, for more than three years. Consumer spending is healthy. Housing indicators are turning up all over the place, like home prices, home starts, home sales, and construction employment. It adds up to the possibility of accelerating job growth and a recovery worthy of its name in 2013. Small businesses sentiment, which relies less on world markets and more on the animal spirits of the neighborhood, is still higher than it was for most of 2011."

"Meanwhile, in the Away Economy, there is a world of precarious, scary, and outright depressing news, which is weighing on large corporations that tend to make more than half of their income from customers outside the U.S. GE and Pfizer, for example, are listed in U.S. stock indices. When their prices

fall, it looks like a reflection of the U.S. economy. But both companies make more than 50% of their revenue abroad, and Apple makes more than 60% outside the Americas. When the world catches a cold, multinationals sneeze ... even if the typical U.S. household is feeling alright.”

“Today's bad news in the away economy fits mostly, but not entirely, into three buckets: **(1) Demand from Europe**, which is a continent-wide recession that could turn into a continental depression; **(2) Demand from China**, which could slow as it re-balances its economy toward household spending and away from government investment; **(3) The fall in commodity/energy prices**, which is a combination of secular trends, like plentiful natural gas, and a perceived slowdown in energy-intensive economies (namely Europe and China).”



Thompson points out that the U.S. fiscal cliff scenario isn't a big factor as “there is still the fact that equipment, software, and construction investment has been declining among major corporations for the last four quarters, not just the last week and a half.” He goes on to say, “In the real world, the home and away economies aren't entirely separable. When worldwide copper prices go up, and Caterpillar receives orders for more earth-digging machines for Peru, they'll hire more workers in their Milwaukee plant, who will spend more on local dry-cleaning and coffee, boosting businesses whose work has nothing to do with copper. These aren't two distinct economies, so much as two halves of the same global machine.”

Thompson concludes, “But it's important to distinguish between home and away when you're making sweeping statements about the U.S. economy, as if it's a single body fighting a single cold. The swooning stock market of the past few weeks is not a sign that we're veering toward a double-dip. Instead, it's a reflection of a global investment market made queasy by a steady drumbeat of bad news from around the globe. Here at home, the news is good enough that some resilience from multinationals with some deal-making from Washington should manufacture a strong 2013 economy.”

(in current dollars) in life sciences research as the U.S. (and four times as much as a share of the GDP).

2. The Federal government should leverage its procurement budgets to support next-generation technologies. For instance, advanced energy technologies are central to boosting national energy security, reducing energy costs, and ultimately reducing U.S. greenhouse gas emissions. To accelerate the development of advanced energy technologies, agencies like the Department of Defense (DOD) and General Service Administration (GSA) should leverage their procurement budgets to act as early markets for new energy technologies. This could directly support innovative advanced energy technologies in energy storage, energy-efficiency, smart grids, and power electronics at a much faster pace than if left on their own.
3. Strengthening incentives for companies, whether domestic or foreign, to invest in the United States in R&D, workforce training, and new plant and capital equipment is essential. Unfortunately, other countries have moved far beyond the U.S. in redesigning their tax code to incent these types of investments. In fact, the U.S. has the highest corporate tax rate in the OECD and just the 27th most generous R&D tax credit out of the approximately 45 nations that offer one. Clearly, the Congress and Administration must take up corporate tax reform. While simplifying the tax code is important, any tax reform that reduces or eliminates key incentives for investing in R&D, innovation, or capital equipment (especially in traded sectors, like manufacturing) will only reduce, not boost, U.S. growth and competitiveness. Reforming the U.S. tax code should also include measures specifically designed to incent innovation and commercialization, such as by introducing a patent box that would allow corporate income from the sale of patented products to be taxed at a lower rate than other income.
4. U.S. trade policy needs to get more sophisticated, placing greater focus on market opening, trade promotion, and trade enforcement. With 95 percent of the world's consumers living outside the United States, it's vital that U.S. trade policy secure fair rights for U.S. enterprises to reach consumers in these markets. But it's also important that the U.S. retain its leadership



position as being the world's leading advocate for liberalized, market-based trade. Unfortunately, whereas the U.S. currently has only one new trade agreement under negotiation in the Trans-Pacific Partnership, the European Union is actively negotiating free trade agreements with at least five countries (Canada, India, Malaysia, Singapore, and the Ukraine) and two trade blocks—the Association of Southeast Asian Nations (ASEAN) and the Gulf Co-operation Council (GCC)—that represent an additional sixteen nations. The United States needs to actively work to create new high-standard

free trade zones, including by initiating a new Trans-Atlantic Partnership with like-minded European and Commonwealth nations.

5. With the documented incidence of industrial espionage cases having risen over 40 percent in the past two years, America must better protect its digital networks through more effective cyber security partnerships. Protecting America's digital networks is vital not only because core industries like finance and aviation depend upon it for their day-to-day function, but also because America's intellectual property (e.g., its knowledge base) resides within digital systems and these are vulnerable to foreign theft if not properly defended.

6. Immigration reform should be one of the very first priorities of the next Administration and Congress. Fortunately strong legislation already exists with bipartisan support—in both houses of Congress—for the Startup 2.0 Act, sponsored by Senators Jerry Moran (R-KS), Mark Warner (D-VA), Marco Rubio (R-FL), and Chris Coons (D-DE). The Startup Act 2.0 would make new visas available for foreign students who graduate with an advanced degree in a STEM field from an American university. As many other countries have done, the Act would also create an Entrepreneur's Visa that would allow foreign-born entrepreneurs already legally in the United States to stay here if they are able to raise \$100,000 in capital to start a business and hire at least two American workers. Passing the Startup 2.0 Act should be one of the first priorities Congress takes up when it gets back to work.



BIG DATA: Open data v. Private Data? What the Future Holds

Thomas Frey, a leading futurist, writing in FutureSpeaker.com, has a tantalizing glimpse into the future concerning big data and whether having more open data versus private data will be the challenge. Much of the shift to big data has already occurred but the technological improvements are leading to massive amounts of new data being collected about each of us and our world.

Frey says, "Open data is the idea that certain data should be freely available to everyone to use and republish as they wish, without restrictions from copyright, patents or other mechanisms of control. The goals of the open data movement are similar to those of other "Open" movements such as open source, open content, and open access. The philosophy behind open data has been long established but the term "open data" itself is relatively new, gaining popularity with the rise of the Internet and especially, with the launch of open-data government initiatives such as Data.gov." Frey gives the example that retail stores and clothing manufacturers may use body scans to better design and custom fit clothing to consumers. But who owns that data and who benefits from the sale of that data? Frey sees the

growing universe of “Things” is being linked through wired and wireless networks to the Internet. Altogether, these networks are churning out huge volumes of data that flow to computers for analysis. When objects can both sense the environment and communicate, they become tools for understanding complexity and responding to it swiftly.”

Frey says, that “Yesterday’s predictable pathways of information are changing and the physical world itself is becoming a new type of intelligent system. The resulting information networks are emerging as a new form of infrastructure capable of spawning new business models, improved business processes, and even entire new industries...what we will see is a combining and expanding of the physical with the digital. By creating tiers of usable information, companies can add layers of efficiency and enhance productivity, giving them a far-reaching competitive edge. Countries that provide the best digital infrastructures will have a huge advantage over those showing lesser efforts.

Frey concludes, “How much of this will be open data, free and readily available for anyone who wishes to use it, versus data that is private, protected, and expensive? Stating his perspective, Frey cautions that putting up paywalls for private data will be a deterrent to the growth of big data and ends with “carving out those territorial delimiters as to where private data stops and open data begins will be a policy decision that is not going to be easy to make.” And that may be one of the biggest understatements of the year!

MEMBERS IN THE NEWS

North Bay Business Journal, Press Democrat, and Argus Courier Purchase Completed

Sonoma Media Investments, LLC, owner of the Sonoma Index-Tribune and Sonoma magazine, on Thursday completed its purchase of the Santa Rosa Press Democrat, Petaluma Argus-Courier and North Bay Business Journal and revealed details about notable local investors and the management team behind a deal in the works since the beginning of this year.

Sonoma Raceway Food Drive Nets More than 9,000 Pounds for Area Food Banks

Sonoma Raceway distributed more than 9,000 pounds of non-perishable food items to Friends in Sonoma Helping (FISH) and the San Francisco and Marin Food Banks on Monday following the raceway's 12th annual Thanksgiving Food Drive.

Dominican University receives \$8 million gift

An \$8 million gift to Dominican University of California – the largest in the 122-year-old college’s history — will fund the transformation of an historic Victorian mansion currently owned by the university into a state-of-the-art facility for students in the school’s rapidly growing nursing and occupational therapy programs, according to an announcement today from the San Rafael-based institution.

Basin Street Properties, Sonoma County’s Largest Landlord, Creates Discount Program for Tenants

Basin Street Properties, a prominent Northern California and Northern Nevada real estate investor and developer of commercial and mixed-use properties, announces its new Tenant Advantage Program (TAP), which offers exclusive discounts and promotions for companies and their employees that work in properties owned by Basin Street.

W. Bradley Electric Out in the Community

W. Bradley Electric is active in our community and giving back in more ways than one. Check out all that WBE is doing!

W. Bradley Electric Wins Two Major Bids

W. Bradley Electric wins the opportunity to work for and with two outstanding companies.

BioMarin shares jump on key product study results

On November 5th, BioMarin announced positive results from its pivotal Phase 3 trial of a potential new therapy for Morquio A Syndrome, also known as MPS IVa. The company expects to begin filing marketing applications with regulatory agencies in the first quarter of 2013."

Buck Institute receives \$5 million gift

The Buck Institute for Research on Aging today said it received a \$5 million donation from architecture entrepreneurs M. Arthur Gensler Jr. and Drucillia Cortell Gensler of Mill Valley.

Redwood Credit Union Supports Hurricane Relief

Redwood Credit Union (RCU) is now accepting contributions to the Red Cross Hurricane Relief Fund to directly assist those affected by Hurricane Sandy on the east coast. All RCU branch locations have been designated as collection sites for donations from Members and the community.

Wells Fargo gives \$1M for Hurricane Sandy relief

To aid in the relief effort, Wells Fargo & Co. is donating \$1 million to the American Red Cross Disaster Relief Fund and other grassroots nonprofits.

George Lucas to give away part of \$4B from sale to Disney

George Lucas plans to give away the majority of the \$4.05 billion from the sale of Lucasfilm to Walt Disney to an undisclosed charity.

Local Group to Buy The Press Democrat, Affiliated Publications

The Press Democrat and two affiliated publications in Sonoma County are being sold by Florida-based Halifax Media Group to a partnership that includes a group of local investors, the principals in the deal announced Thursday.

Disney buying Lucasfilm Ltd., plans new 'Star Wars' films

The Walt Disney Co. says it is buying Lucasfilm Ltd. and its "Star Wars" franchise from founder, Chairman and CEO George Lucas in a \$4.05 billion deal, and that it plans to release new "Star Wars" movies every two to three years starting in 2015.

Ghilotti Bid is Lowest for Airport Blvd. Work

Ghilotti Construction of Santa Rosa was the low bidder on work to replace the Airport Boulevard overpass on Highway 101, which should be completed in to years, transportation officials said Wednesday.

North Bay Leadership Council Congratulates Business Journal's Healthiest Companies

North Bay Leadership Council would like to congratulate all of our member companies that have been chosen as the healthiest companies.

Medtronic Leases Second Airport Building

Medtronic's CardioVascular division will expand into about 62,000 square feet next door to its current operations at the Airport Business Center.

St. Joseph Health System's Queen of the Valley Hospital Receives \$11M Gift

Queen of the Valley Medical Center Foundation today announced it received an \$11 million gift from Tim Herman's family, and it's the largest gift in the hospital's history.

Read more online at www.northbayleadership.org/news



Who We Are

Twenty one years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes over 43 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org