

Wisconsin Assembly Committee on Jobs and the Economy
August 3, 2017
Testimony by John Neis, Managing Director of Venture Investors LLC
and President of the Wisconsin Venture Capital Association

Thank you, Chairman Neylon and members of the Committee for the opportunity to testify. I am here today representing the interests of Venture Investors LLC, Wisconsin's oldest and largest venture capital firm, and of the Board of Directors of the Wisconsin Venture Capital Association, a trade organization with 36 member organizations consisting of venture capitalists and angel investors focused on financing and supporting Wisconsin's entrepreneurs.

I believe that our State's economic development efforts require a diversified approach to growing our State's economy for the benefit of all of our citizens, requiring a three-pronged approach. First, we need programs designed to attract or create jobs that match the skill sets of our under-employed and unemployed workforce of today. If we fail to do this, we are leaving a segment of our society behind with a grim future. Second, we need programs that give our under-employed and unemployed workforce the skill sets to fill the jobs that our employers are having a difficult time filling. If we fail to do this, our existing employers may go elsewhere looking for a needed workforce. Third, we need programs to create, attract and grow the desirable jobs in the rapidly growing sectors that will be the bedrock of our economy in the decades ahead. If we fail on this count, we are not positioning ourselves to be competitive for the future generations.

I have been a venture capital investor in Wisconsin for over 30 years, and during that time, Wisconsin has tried a lot of ideas to stimulate growth. Many of these experiments had great merit, but they have been marked by timidity in commitment and scale. Without commitment and scale, we do not achieve critical mass that sets us apart as a leader in the targeted field. I have encouraged bold action on the part of our state to have an impactful outcome.

Nobody is criticizing the proposed incentive package for a lack of boldness. I am here to support the proposal because of the potential transformative impact this could have on the populous southeast corner of our state. I view this as principally addressing two of the three prongs in a comprehensive economic development plan. It is creating good jobs for our skilled manufacturing workforce, and it is teaching them new skills that strengthens their ability to compete in today's economy.

I believe that it will also have a positive impact on entrepreneurship. It will likely be the foundation for a cluster of activity and leadership by our state beyond Foxconn as a supply chain grows around the company, and talent and expertise is attracted and trained. From that, we will see spin-out opportunities as new ideas are developed, becoming a magnet for new investment in the state.

Many of the questions earlier this afternoon and this evening were about likelihood of the multiplier effect that has been projected. If we want to test the credibility of those forecasts, we need to look no further than another large high tech manufacturer based in our state, GE Healthcare. GE Healthcare employs 6,800 people in Wisconsin. They have 870 Wisconsin based suppliers, which supports an additional 21,000 jobs. They contributed \$8.1 billion in direct, indirect, and induced total production output in the state of Wisconsin. They have collaborated with the University of Wisconsin-Madison, which is a factor in the university's leadership in medical physics. Many former GE executives left to lead entrepreneurial companies that spun out of the university like TomoTherapy, NeuWave Medical,

Healthmyne, and many others, and their success helped us attract large public companies to the state through acquisition like Accuray and Johnson & Johnson.

Opportunities of this scale present themselves with rarity. In my 30 years in the business, I have seen only one other opportunity where we were a finalist in a transformative opportunity, and that was Sematech, a semiconductor manufacturing consortium, and we lost that to Austin in 1986. Austin became an industry hub with Advanced Micro Devices, Cypress Semiconductor, Freescale, Samsung, and Dell Computers. If we allow this to slip away, we may not see an opportunity of this scale again anytime soon. As a result, I encourage you to be bold and support the proposal.

However, my support comes with a caveat. We need a diversified approach to our economic development effort. We need to view this as going above and beyond what we have done in the past, and not achieve this by depleting the resources for that third prong of economic development, programs to create, attract and grow the desirable jobs in the rapidly growing sectors. I am excited that we have an opportunity to secure a commitment to this state from a successful Taiwanese entrepreneur. However, we need to also be bold and support our Wisconsin entrepreneurs. Creating 100 companies that each employ 100 people over a decade doesn't produce the splashy headlines and political capital as an announcement that a company is going to come here and create 10,000 jobs in a decade. But the total number of jobs is the same and it is healthier and more diversified for the state. Through acquisition, it is a powerful way to attract large companies to locate here. If we can plant lots of seeds, one or more of them will become the next Epic Systems, employing 10,000 people in highly paid jobs at a company that is fully committed to Wisconsin.

My hope is that this transaction proceeds and signals that we are entering a new era of bold action across all three prongs of economic development, engaging at a competitive scale in the global economy.