

Executive Summary

The Michigan Green Enterprise Zone Initiative

The Zone Initiative was selected by the Directors of the Institute as its first symposium due to the current economic climate in Michigan. Its focus was to examine how to maintain and attract new capital and investment without public funds and tax incentives as the primary drivers. Our charge was to consider how sustained competitiveness and prosperity could be achieved through an examination of the root causes of our present economic decline. A complete statement of the Zone Initiative is included with this Report.⁷

Initially, the Zone contemplated a continuous corridor or stand-alone areas running from Saginaw through Flint, Pontiac, Troy, Detroit, Windsor, Romulus, Ann Arbor utilizing the synergies of the Detroit Region Aerotropolis and NAFTA with Ontario. It soon, however, became apparent that a virtual investment zone or “state within a state” deserved examination by the Symposium.

In its original conception, the Zone contained “Five Innovations” for investment that had not been previously combined in Michigan, the United States or any other countries. The Five Innovations consist of (1) Legal Risk Mitigation, (2) Technology & Invention, (3) Labor/Management Relations, (4) Quality of Life and (5) Governmental Sovereignty & Collaboration. Due to the ambitious scope of this Initiative, it was decided that for this Symposium our efforts would be limited to Legal Risk Mitigation, Labor/Management Relations and Sovereign Enterprise. The remaining features of the Zone — Quality of Life and Governmental Collaboration—would be considered in a separate future symposium.

⁷ For more detail, please refer to Appendix A.

Our Mega-Questions & Workgroups

To jump start thought and creativity among our attendees and to accomplish the Institute's mission, we started our Symposium with three "mega" or fundamental questions for each of the three innovations for the Zone. These mega questions were as follows:

- 1. If you were creating a dispute resolution system from scratch, what would it look like and how would you accomplish it?**
- 2. If you were creating a labor/management relationship from scratch, what would it look like and how would you accomplish it?**
- 3. If you were creating a sovereign investment center from scratch, what would it look like and how would you accomplish it?**

To encourage consideration of these fundamental questions, the Symposium presented a diverse set of outside speakers who raised our collective level of awareness. We then asked attendees in our opening plenary session to brainstorm new ideas for each of the mega questions without regard to the harsh realities and obstacles that face the implementation of any new ideas. Our goal was to break through conventional thinking to foster out of the box ideas.

Later, after self-selection by our participants, workgroups were formed to concentrate on each of the three mega questions and our brainstorming efforts continued. These same workgroups carried on their hard work in subsequent sessions geared to assessment and prioritization of specific solutions consisting of Action Plans that are identified in this Report. Importantly, these Action Plans were then analyzed by each workgroup through a RASI evaluation to identify responsible parties, objective, timelines and resources for implementation as discussed below. The Action Plans of each workgroup were then collectively reported out for the benefit of the entire group in our final plenary session at the conclusion of the Symposium.⁸

Labor/Management Workgroup Outcome Synopsis

It was the consensus of this workgroup that its efforts continue with or without the actual formation of a Zone or any form of collaboration with Native American Tribes. This workgroup saw a synergy with other Symposium workgroups particularly the Legal Innovation workgroup. This workgroup concluded that the Zone Initiative offered an opportunity to capitalize on the current historical environment of creativity, candor and openness between management and labor. The speakers and participants in the workgroup were determined to examine new concepts in the areas of seniority, classifications, work

⁸ RASI evaluations are designed to identify responsible persons willing to carry out the recommended action. You will find in this Report that a number of attendees and others were identified as such by our workgroups. Any additional contribution would proceed on a voluntary basis and would be subject to the consent of the identified responsible persons and the ESD Institute.

rules, jurisdictional dispute and worker compensation. In addition, the participants hoped to reach out to other stakeholders in both labor and management, to move forward with additional ideas yet to be formulated, to quantify financial benefits and to achieve the successful implementation of a competitive labor/management relationship to maintain and attract investment to Michigan. The workgroup sets the goal of meeting again in six weeks with the support of the ESD Institute.

Legal Innovation Workgroup Outcome Synopsis

It was the consensus of this workgroup that its efforts generated over the Symposium should continue and that its work could independently occur with or without the creation of a sovereign zone. Creation of a Zone, however, would have advantages for implementation of many of the dispute resolution ideas generated due to its own novelty and a “clean slate” approach. The workgroup identified over 50 areas of legal risk that might benefit from innovation in the field of dispute resolution emphasizing “problem solving” instead of traditional “fault finding” often found at the core of litigation. Subject to further evaluation, preliminary cost savings in the area of legal risk might exceed 10% of an entity’s overhead costs. The members of this workgroup expressed a willingness to work together to achieve a comprehensive dispute resolution system for a variety of conflicts to minimize the number of conflicts, to cut the cost and time for resolution, to achieve greater fairness and transparency in results, and to quantify in terms of dollars and cents resulting benefits to enhance the maintenance and attraction of investment to Michigan.

Sovereign Zone Workgroup Outcome Synopsis

This workgroup examined the dramatic cost and liability reduction attributes of a sovereign immunity, law and regulatory discretion and fiscal/tax powers. The consensus of the Sovereign Zone workgroup was that its efforts should continue and pursue two paths. First, outreach efforts to existing Native American Tribes should be undertaken to determine the potential synergies of collaborating together to maintain and attract investment to Michigan. Achieving sovereign benefits did not turn on a collaboration that required a Tribe to own a majority equity position in the non-tribal entity. Second, since the Zone model would have a dramatic effect on the cost of doing business generally, it was felt that the cost savings should be further quantified in an effort to garner political support for a virtual or geographical sovereign investment zone in Michigan. For example, attendees with financial expertise noted that premiums for comprehensive insurance programs relating to tribal enterprises are 1/10th of the premiums quoted for comparable non-tribal enterprises. The workgroup concluded that the sovereign zone concept could address our current economic decline without public funds or tax/fiscal incentives consistent with the parameters of the Zone Initiative. The members of this workgroup expressed a continuing desire to work together under the auspices of the ESD Institute to implement the ideas that the workgroup generated during the Symposium. It was felt that each of the two avenues — collaboration with existing sovereign nations and creation of a new sovereign zone either by the Federal or State action — should be undertaken on a fast-track basis given the economic and social urgencies facing Michigan in order to assess the potential cost advantages to an enterprise doing business within the Zone.

Near Term Workgroup Outcome Synopsis

This workgroup was formed after our first day of deliberations relating to the third mega question of sovereign investment attributes. As noted later in this Report, its efforts were outside the scope of the Zone Initiative. Its examination of presently-available governmental assistance relating to investment, however, served as a complement to the main thrust of the Symposium. After sharing with the plenary group its report and summarizing the ideas generated, the Near Term workgroup concluded that a frictionless, accessible electronic portal for investment was essential. The workgroup felt that it was imperative to continue identifying the existing governmental incentivized resources and personnel available to maintain and attract investment at the federal, state, county and municipal levels. The workgroup reached a consensus that its activities should continue within the context of the ESD Institute and that a continuation of its meetings should occur within the next 60 days after inclusive outreach efforts to attract all interested stakeholders to the workgroup.

Observations and Recommendations of the Institute Directors

Of the hundreds of individuals contacted in advance of the Zone Symposium, no one challenged the importance and timing for an in-depth examination of how Michigan's current economic decline could be reversed on a sustainable basis. The concept of "starting over" was embraced by most attendees. All of the Symposium workgroups expressed the desire to continue their efforts in order to flush out the details of the mega questions presented during the Symposium.

Peer review of this Report generated the vision that Michigan should seek to become "Sur-petitive" — that is, ahead of the competition. Another peer comment summarized the task ahead in a nutshell, "Now that you have the focused creative concepts, let's cast the Zone into a workable form by developing its organizational and administrative structure from a blank canvas." Our observations confirmed the findings of the attendees of the Symposium that an investment zone incorporating innovations in labor/management relations, legal dispute resolution and sovereign attributes will offer significant and sustainable cost and efficiency benefits without the need for public assistance.

Our recommendation is that based upon the findings of the Report and our continuing economic decline, a subsequent symposium should take the conceptual ideas generated from this Symposium into the real world of an actual implementation through the development of a prospectus for the Zone itself. We further recommend that the workgroups relating to Labor/Management, Legal Innovation and Sovereign Zone continue as critical efforts in advance of the subsequent symposium. The Zone Prospectus should spell out the details of how the Zone would operate and be governed. A representative sampling of the important mega questions for the future symposium would include the following:

- Should the Zone be a geographical or virtual “state within a state” allowing organizations and individuals to opt into its benefits and responsibilities?
- For formation purposes, should legislative enactment be on a state or federal level?
- How would the Zone be governed?
- What will be the actual bottom line financial advantages of the various innovations to be enjoyed by those doing business in the Zone?
- How can the organizational structure of the Zone ensure transparency and social/financial accountability?
- What would be the fiscal and service relationship between the Zone and existing governmental entities?

In the end, the Zone Prospectus should serve as the roadmap for investment, intergovernmental collaboration and the quality of life attributes contained in the Zone Initiative. The Zone Prospectus should spell out its advantages to demonstrate the presence of a predictable and competitive environment for those desiring to opt into the Zone. Clearly, a Zone Prospectus incorporating the labor, legal and sovereign advantages examined in this Symposium has not been done before and represents the cutting edge of investment areas within the United States and around the world. As a final note, we see the concept of the Zone as a platform for the Institute’s future symposia relating to the Clean3™ Initiatives of Water, Energy and Transportation.

We extend our thanks to all participants that contributed to the findings of this Symposium and to the ESD Board and staff for their support.