

The 'Knowledge-Based' State

An Interview with The Honorable
John G. Rowland, Governor, State of Connecticut



The Hon. John G. Rowland

EDITORS' NOTE Formerly the youngest governor in the United States when he first took office in 1995 at age 37, the Honorable John G. Rowland was reelected in 1998 and was sworn into a historic third term as Governor of the State of Connecticut on January 8, 2003. His public service career also includes three terms in the U.S. House of Representatives and two terms in the Connecticut State Legislature.

Governor Rowland has made investing in education and the development of Connecticut's "knowledge-based economy" central themes of his administration. He addresses those initiatives in this interview, and also discusses why his state has attracted more Fortune 100 companies per capita than any other state.

When business leaders ask how Connecticut's "knowledge-based economy" translates to business opportunities in your state, how do you reply?

As a state that led the Industrial Revolution 100 years ago, we recognize that our forte is knowledge-based, meaning a primary focus on information technology, bio-medical research, and the associations with our universities, such as the University of Connecticut and Yale University. It's utilizing a more highly trained, highly skilled, more sophisticated workforce.

Now, what does that mean? It means we're leaders in a variety of areas. One of

them is patents per capita and our ability to develop new technologies. Maybe one day it might be in idea technologies, another day the pharmaceutical industry. We are the home to the World Research Headquarters of Pfizer, which could have opened anywhere in the world, but chose New London, Connecticut, a shoreline community. So we pride ourselves on preparing our workforce for this new technology, this new generation, this new century, and that preparation revolves around higher education. We have made huge investments in our public higher education capabilities. And we're also preparing youngsters at early ages as well. We're number one in reading, number one in math, number one in science, number one in writing at the fourth- and eighth-grade levels. We have more high schoolers who take the SAT exam, and have higher grade-point averages than any other state. We have more young people going to college, per capita, than any other state. The key there is making sure they come back to the state.

It doesn't sound like Connecticut doesn't just tout itself as the insurance capital of the world anymore.

We're in a transition from the insurance capital of the world to a knowledge-based economy for the world. This also reflects on insurance and financial services, because, in these days and times, that MBA is important, and college is important. So we're trying to combine what we've been good at in the past, which has been the financial services and the insurance industry, and take it to the next level. Connecticut is more than just being the place where Aetna, Hartford and Travelers have grown up; it's where UBS, which has the largest trading floor in the world in Stamford, is located. And also from our insurance and financial base, we've now developed into the reinsurance capital of the world. We have a huge presence of reinsurance companies. We also have fuel-cell technology. We have four fuel-cell companies in the state, and I would dare say probably more fuel cell technology capability and development than any other state. We've learned from the last 100 years that you don't want to be all in defense, or all in insurance. You

want to be more diverse, have a more creative workforce, and be able to shift and to mobilize, and we've done that by making the investments we have in our state university and community college system.

Connecticut has more Fortune 100 companies per capita than any other state in the country. What do they find appealing about Connecticut?

In three words, quality of life. Everybody thinks it's the bottom line, or it's a number, or it's a tax, but it's quality of life. We're uniquely located, where you can get to your financial markets if you want to get to New York City or Boston easily enough. Everybody thinks it's a very complicated formula, but it's quality of life as determined by your family's happiness, ability to make a living, education for your children, safety, transportation, ability to get around, and culture. So, when you have Fortune 100 companies move here, it's usually not done by committee. The CEO has a lot to say about it.

You are close with President Bush. What strikes you about his leadership?

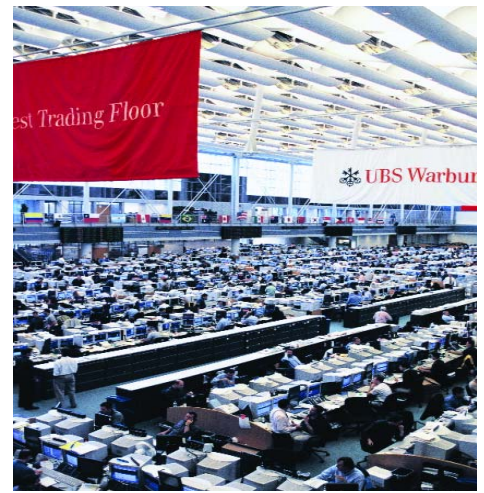
You have to understand how this man thinks. He's extraordinarily focused. And when he locks and loads on something that principally he thinks is important for the country, whether it's economic, or in the case of Iraq, where he really believes that the security of our country was threatened, and he's absolutely right, nothing will stop him from doing what he has to do, whether he has only one ally or a UN agreement. And he won't put our sons and daughters in harm's way unless he really believes we have to and that the end result is going to be positive for our nation.

So, I'll just tell you, this man has great faith, great spirit, and spirituality. One of the things I marvel at, and what I always say about him when I'm introducing him, is that he's a man of few words and great deeds. You know, he's not boastful. He knows what the mission is, and he gets great people around him. And so people have a lot of confidence in him. The key with President Bush is that people like and trust him. ●



The Biggest Financial Show Outside New York City

An Interview with John Costas, Chairman and Chief Executive Officer, UBS, Stamford, Connecticut



John Costas

EDITORS' NOTE *Why did UBS decide to locate the largest trading floor in the world in Stamford, Connecticut? Find out in the interview with John Costas, who before becoming CEO of UBS Investment Bank December 2001 and chairman in September 2002, was the business group's president and chief operating officer. Before joining UBS in 1996, he worked at Credit Suisse First Boston as co-head of Global Fixed Income.*

COMPANY BRIEF *With head offices in Zurich and Basel, UBS operates in over 50 countries and from all major international financial centers. UBS is one of the world's leading financial firms and is the world's leading provider of wealth management services, one of the largest asset managers globally, among the major global houses in the investment banking and securities businesses, and the clear market leader in Switzerland serving corporate and retail clients.*

UBS located the largest trading floor in the world in Stamford, Connecticut. Why?

A number of reasons, actually. First of all, the size and the space of the floor. When you think of the alternatives being in Manhattan, just to find the real estate and scale of real estate necessary was a significant issue. And this site, right next

to the Stamford transportation hub with the train station across the street, provided one of the first unique opportunities outside New York City to think about locating outside the city. So, this site offered the sheer size and scale that we needed.

Second was the cost issue. Clearly it was attractive on a variety of fronts to establish in Stamford versus building and buying real estate in Manhattan. The cost advantage was significant.

Third, and probably the most important reason, was the long-term opportunity, which was a risk initially but has turned into an asset. The risk was the question of whether we could get the type of expertise we needed, with regard to people, in sufficient quantities and with sufficient qualities to help us populate our business outside of Manhattan, because when you're in Manhattan you have 'feeder' districts of Northern New Jersey, the Westchester County-Connecticut area, plus Long Island. You can draw on these districts, if you will, plus Manhattan itself, whereas moving out to Connecticut we were potentially cutting ourselves off from possible employees. And clearly, initially, that was a risk and we were challenged the first year back in 1997 to make that happen. But what has happened over time, as we've staffed, is that we've grown to 2,400 at this location. As I said, what was a liability now has become an asset.

We have fully staffed and have the ability now to be thought of as a preferential employer, because this location is the biggest show in the financial industry business outside of New York City. And it's really seen as a work-life alternative to our competitors. And where we had to really price ourselves to a premium to the marketplace to attract people four or five years ago, today we find people that want to live a suburban life, but at the same time want to be at the leading edge of the financial services industry. We're a very unique alternative.

What percentage of those 2,400 employees live in the Connecticut suburbs?

It must be something close to a third

to a half. We don't have too many reverse-commuters coming out of Manhattan.

What has this trading floor and UBS's presence meant for the state of Connecticut?

I think it has been a real win-win for the state of Connecticut – the local government officials, both in Stamford and throughout the state, have very much a business-oriented approach to the way they run government. And what I mean by that is that it is not oriented in favor of business, but they think of running the government much like a business. And so when we had alternatives to think about expanding in Manhattan, to look at Northern New Jersey locations, or other New York locations, one of the things that made this very attractive, again from a bottom line standpoint, were some of the financial advantages. We had to expand our facility here. And that's created, again, good business, a win-win situation. We were able to save some costs, which clearly reduced the level of investments we needed to make, but at the same time we moved several thousand high-paying jobs into the region. And I know Governor Rowland, for one, has done the math and he comes up with a pretty positive number for the citizens and taxpayers of Connecticut. And since I'm a taxpayer in Connecticut, this is important to me as well.

Do you see other financial services firms following UBS's lead and locating outside of Manhattan?

I think as technology develops you really have the essence of what will fuel more locations outside Manhattan. And then the unfortunate side effect of September 11 has caused business planning and business continuity procedures to have to think more about multiple locations, back-ups, and what would seem to be an acceptable distance separation between facilities. Today you have to be on different power grids, and different technology platforms, and different communication grids. So 30-, 40-, 50-mile separations are more indicative of what the current planning philosophies are. But it's technology that will facilitate that ability to do that over time. ●