



# THE GREAT LIGHT DEBATE

## LED plan's execution, rollout fail Jackson

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"Why weren't we informed; we could have helped you?" asked Hong Kong-born immigration attorney Margaret Wong.

**ANALYSIS** "What were you guys thinking?"

Ms. Wong made the statement last Thursday evening, May 20, in the Red Room, a conference room attached to Cleveland Mayor Frank Jackson's office at Cleveland City Hall. She was there with a group of local small business owners, clergy and other civic leaders invited by the mayor to a meeting to enlist their support in his effort to bring Chinese lighting manufacturer Sunpu-Opto Semiconductor Co. to the city.

Ms. Wong was asking chief of staff

Ken Silliman why the mayor, who was not present, hadn't sought the assistance of people such as her and the others in the room sooner in his attempt to make Cleveland



Jackson

the U.S. beachhead of Sunpu-Opto, a maker of energy-efficient LED lighting.

Mr. Silliman didn't have a ready answer.

The mayor believes he has found an innovative way to spur job growth in Cleveland — his top priority — with his plan for the city to enter a 10-year deal to buy its lighting from Sunpu-Opto in exchange for the company building an LED lighting plant and establishing its U.S. headquarters here.

However, he may not have found the best way to test and execute this prototype of his jobs strategy.

At one time, several observers to this City Hall flare-up noted, a Cleveland mayor would have avoided this controversy by reaching out to business leaders committed to a "public-private

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# Jackson: City's defense of deal puzzles some observers

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partnership." That's the way predecessors such as George Voinovich and Michael White, at least in his early years, did it.

A Cleveland mayor would have called on a few key CEOs or a management consulting firm to roll up their shirt sleeves and help him develop a strong new policy, then assist him in the complicated business negotiations that would produce a bulletproof deal.

A week ago, the Jackson administration believed it had a slam-dunk winner — the new LED lighting plant would create 350 jobs — and it would be the first of what Mayor Jackson hopes would be series of similar deals where the city uses its purchasing power to attract new businesses and new jobs to the city.

At a time when communities bargain with hard dollars such as grants, loans and tax abatements to woo companies to town, the mayor believes a procurement agreement is a low-cost way to invest in economic development.

And it still may be a workable idea.

But an unexpected firestorm of opposition to the deal erupted. GE Lighting, the world's largest light bulb seller, which employs 700 people at its headquarters in East Cleveland, was the leader of the opponents. Its pride and maybe its pocketbook were wounded because its lighting products wouldn't be glowing from the traffic lights and street lamps of its home town. Before the week was over, two other companies joined in to say they could provide the city a better deal.

Legislation that would allow the city of Cleveland to sign an agreement with Sunpu-Opto will be before Cleveland City Council tonight, May 24. The legislation had a good chance of passage late last week, though a lawsuit to block the deal could follow any passed legislation.

## Business polish lacking

The idea of more efficient, money-saving lighting fit neatly into Mayor Jackson's efforts to cut the cost of government. And bringing jobs to the city has been at the top of the mayor's to-do list since the day he took office.

However, GE Lighting did a good job of calling into question some of the key elements of the deal, and the city's defense of its agreement with Sunpu Opto left some observers astonished by its lack of business savvy.

At a City Council hearing last Monday, May 17, GE Lighting president Michael Petras questioned the wisdom of a 10-year contract for lighting products at a time when lighting technology is changing rapidly. He and other business people who believe they could better serve the city's lighting needs also questioned tying what should be a commodity purchase awarded to the lowest bidder to a future promise to build a manufacturing plant.

Mr. Petras went further, disparaging Sunpu Opto's product claims, citing federal government concerns about the safety of LED lighting in some uses and a lack of any Sunpu Opto customer testimonials.

The Jackson administration

answered some of those concerns in response, but its defense lacked the business school analysis — and charts and graphs — of the GE presentation.

Using procurement to spark economic development is rare, in part because of legal strictures on how city contracts are awarded. Only in small business and minority- and woman-owned business set-aside deals do communities use procurement to advance economic development goals.

## Skeptical views raised

Had the city asked, it might have heard from two local economic development professionals that they were skeptical that linking purchasing and business attraction would work.

"Not many places I know are using this approach," e-mailed Don Iannone, an economic development consultant in Mayfield Village who was on the job last week in Seattle. "I worked on a deal like this many years ago, and it fell through because the company wasn't strong enough financially."

Ed Morrison, a Clevelander who has consulted with Akron and Cuyahoga County and is economic policy adviser at the Purdue University Center for Regional Development in Indianapolis, said strict regulations usually inhibit the use of a city's purchasing power in economic development.

"I have never seen a one-off deal like Sunpu," he said by e-mail. "That's not to say it does not happen, but I have never seen one."

Mr. Morrison said he believes the city should slow down its rush into a marriage with Sunpu-Opto. He also believes a city should reinforce its internal staff effort with advice from intermediaries who know China.

## Help may have helped

Several business observers who asked not to be identified by name said they were surprised at the lack of outside assistance sought by the Jackson administration and recalled how earlier mayors — Mr. Voinovich and Mr. White in his first term — relied heavily and with great effect on the business community for assistance.

Beginning in 1979, the city of Cleveland, under Mayor Voinovich, created a widely envied and copied "public-private partnership." If he found himself in unfamiliar territory as he rebuilt the city's finances, Mayor Voinovich didn't hesitate to call on business executives for advice. He even conscripted some into months of service as loaned executives.

Had Mayor Jackson taken a similar approach, management consultants might have given the mayor the ammunition to anticipate some of the objections that GE Lighting and other opponents raised.

And maybe, several observers agreed, one of those advisers might have suggested that Mayor Jackson challenge GE Lighting on its viability as a long-term supplier to the city because its parent, General Electric Co., has not disputed reports that it plans to sell its consumer products business, which includes the lighting business based in Nela Park, as soon as a buyer offers it the right price. ■