

Report: More help needed to protect state's tech sector

Study recommends money for high-tech, defense industries

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BOSTON —

As state officials lavish their affections on life science industries, they shouldn't forget about a much larger sector that still plays a critical role in the state's economy: high-technology and defense.

That clear message was sent in the latest industry report conducted by McKinsey & Co. for free on behalf of Mass Insight Corp., a Boston research firm.

Bill Guenther, the president of Mass Insight, said it was purely coincidental that his group opted to release the high-tech and defense report on Monday – the same day that Gov. Deval Patrick signed a bill that would set aside up to \$1 billion for life science industries over a 10-year period.

The report shows that venture capital investments in the state's information technology industry fell 3 percent annually between 2002 and 2006, while venture capital investments in life sciences rose 10 percent a year.

Employment levels in high-tech and defense have largely remained flat in recent years in the state. The sector, according to the report, is responsible for about 331,000 jobs in the state. But increasing numbers of talented engineers have fled for jobs in other states, Guenther said.

"You're seeing a twin threat from both a more limited talent pool and less investment on the venture capital side," Guenther said.

The report recommends a public investment of about \$64 million in high-tech and defense, a modest amount when compared with the size of the life sciences bill. The most expensive of the recommendations would be a \$50 million replenishment of John Adams Innovation Institute program funds, which provide matching grants for federal research funds.

The report also proposes spending \$1 million on a new marketing strategy for the state's high-tech and defense sector, claiming that the Route 128 brand as a technology cluster has lost some of its cachet.

Donald Quenneville, the executive director of the Defense Technology Initiative industry group, said Gov. Deval Patrick's administration has paid attention to the high-tech and defense sector. He pointed to Patrick undersecretary Greg Bialecki's recent meetings with industry leaders, as well as the administration's support for an effort to encourage the Air Force to open its Cyber Command center at Hanscom Air Force Base.

Still, Quenneville said state officials need to ensure that Massachusetts remains the East Coast's high-tech hub, second only to California in terms of importance to the industry.

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