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N.Y. raises stakes in battle for businesses

By Thomas Olson

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The sun and jazz music rise over New York's cityscape in the television ad to the unmistakable voice of consummate New Yorker, Robert DeNiro.

"This is New York state," the actor says as vivid scenes of the Hudson River, rich farm land and the Chrysler Building flash by.

The slick ad featuring DeNiro is part of a raging-bull of a marketing campaign — \$50 million worth — to lure companies and jobs to The Empire State.

The ads, which promote New York as an attractive place for technology companies and startups, among others, are running on television stations in Pittsburgh, where the stakes can be high.

The city is enjoying an economic renaissance from the collapse of the steel industry three decades ago. The transformation has made it a center for technology, banking, health care and research.

States and local governments have not been shy in their efforts to win business from each other — something that is familiar to Western Pennsylvania, where battles have been waged over the years to land several important projects.

"We recognize that in the current economy, there's aggressive competition for job-creating projects," said Steve Kratz, a spokesman for state Department of Community and Economic Development.

Pennsylvania's budget for ads touting the state to outside companies is less than \$1 million, according to the economic development department. The governor is seeking to increase that amount by \$5 million next fiscal year.

Although it doesn't "have an aggressive campaign right now," Pennsylvania does spend thousands of dollars on trade magazine and on-line ads that target business decision-makers, Katz said.

The New York ads have run since last summer in major markets across the country.

"It's rare that you see a major ad buy like New York's," said Jim Futrell, vice president of market research for the Allegheny County Conference on Community Development.

Several seconds into the New York ad, historic black-and-white scenes give way to color shots of modern manufacturing, wind turbines and big construction projects. DeNiro concludes by saying: "The new New York works for business. Find out how it can work for yours."

But Futrell and other economic development experts say it will take more than a splashy, expensive ad campaign to win over businesses.

"Marketing is the sizzle — a way to get a message out," said John Boyd Jr., principal at The Boyd Co., a corporate site selection consultant based in Princeton, N.J.

"The reality is businesses look at taxes, the labor climate and the real estate climate to determine if they want to (locate) bricks and mortar in a state or market," said Boyd, noting New York remains a high-tax state.

About Thomas Olson

Pittsburgh Tribune-Review Business Writer Thomas Olson can be reached [via e-mail](#) or at 412-320-7854

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New York can point to some big wins in recent years. Google spent \$1.8 billion in 2010 to buy the building in Manhattan that it occupied four years earlier. Facebook followed with plans to build an engineering campus near Grand Central Station.

Although Pennsylvania officials doubt New York will peel off many companies, the state continues to float millions in tax breaks, grants and other incentives to tempt businesses to move to Pennsylvania or expand here.

The state provided businesses with \$164.8 million in job-creation grants and tax credits in the fiscal year ended June 30. The state provided \$65.6 million in low-interest loans to companies last year.

The incentives have proven successful. The state defeated aggressive marketing efforts from Charlotte and Phoenix in 2007 for US Airways' \$25 million flight operations control center in Moon Township. A potential win for Pennsylvania and the region is a \$4 billion ethane cracker plant that Royal Dutch Shell plc is considering and might build in Beaver County.

Boyd said that Pennsylvania may win more contests for companies without dangling financial sweeteners because the state is starting to shed its reputation for having an unfriendly climate for business, especially in terms of taxation.

For example, Gov. Tom Corbett has proposed lowering Pennsylvania's 9.99 percent corporate net income tax rate — lower only than Iowa's 12 percent rate — to a much more competitive 6.99 percent by 2019.

“The reality is the business climate is better in Pennsylvania than in New York state,” said Boyd.

“It has lower business costs and an abundance of natural gas, which is great for manufacturers.

“And there's tremendous intellectual capital in Pittsburgh and Philadelphia with all the research at colleges there.”

Thomas Olson is a staff writer for Trib Total Media. He can be reached a 412-320-7854 or at tolson@tribweb.com.

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