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State fertile ground for high-tech, but Utah execs warn of potential weakness

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Utah can boast one of the top environments for high-tech companies in the nation, two reports out this week show.

Although both measured the conditions underlying the technology and science industries, and their vibrancy, executives at Utah companies warn that the long-term health of those sectors might be in danger because of weaknesses in math and science education.

And they say that in Utah, as well as nationally, the nation's maddening, bureaucratic post-9/11 visa system is keeping out potentially valuable, highly skilled workers and prompting foreign students to study in other nations.

A report by the Milken Institute placed Utah in the Top 10 among states in its Technology and Science Index, which the group says is "an inventory of the technology and science assets that can be leveraged to promote economic development."

The report, which took into account population size and other factors, ranked states in five areas. Utah was No. 1 in technology concentration and dynamism, which measured the creation of technology companies and where they were clustering as an indication of where innovation will occur.

"That says not only is the state doing well, but that high-tech is really growing in Utah," said Kevin Klowden, a managing economist at the Milken Institute.

A September 2007 survey by the Utah Technology Council, a trade group, showed there were 5,200 high-tech and science companies in the state employing about 66,000 workers. The number of firms was up more 10 percent from the prior year, said Richard Nelson, president and CEO of the group.

Utah has entered into a second stage in its high-tech industry evolution after the giants of the early '80s such as WordPerfect, Novell and Iomega left or evolved into different companies, said Darren Lee, president and CEO of NextPage, a Draper software company.

"What I've noticed the past few years is that we have a lot of really promising companies that are sort of in that early revenue stage, up to that \$50 million a year stage . . . but a greater breadth of those than we've seen before have much stronger chance of being viable and stand-alone companies," he said.

Nelson pointed to the state's creation of several programs that provide funding and other help to foster entrepreneurship as leading factors in creating a vibrant technology industry in Utah.

Those include the Utah Fund of Funds, a \$300 million state program providing capital to entrepreneurs, and USTAR (the Utah Science Technology and Research initiative), a state-funded program that invests in research through funding and recruiting top researchers at the University of Utah and Utah State University.

Terry Pitts, a founder and CEO of the Orem software company DigitalBridge, also cited the area's lower cost of living, compared with such high-tech hotbeds as California, its outdoor activities and the number of days of sunshine as additional attractions for high-tech companies.

A second report out this week, from AeA, the nation's largest technology trade association, said the Salt Lake City area added 2,300 high-tech jobs in 2006, the latest year for its data. That ranked the area as having the third-fastest growth rate among 60 cities. Those jobs paid \$59,600, about 55 percent more than the average private-sector wage, the report said.

But as bright as the present looks for Utah's technology industry, the future remains clouded by state and national weaknesses in producing or attracting a sufficient number of engineers and scientists.

Nelson cited another 2007 UTC survey of 40 companies, which showed nearly 11 percent of their engineering and science positions were open. He called the quality of Utah's work force its "number one economic development issue." The state is suffering from a "lack of rigor" in its kindergarten through 12th-grade math and science programs, which aren't moving enough students into college and toward graduating as engineers or scientists, he said.

"Now the critical issue is, how do we continue to fuel Utah's high-growth companies."

Lee, the NextPage CEO, also pointed to the nation's visa system, which he said is keeping out the students and highly qualified engineers and scientists who are needed to support the nation's high-tech economy.

"That's a national problem but it has implications here," he said.

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