
SUBSTITUTE SENATE BILL 5715

State of Washington

53rd Legislature

1993 Regular Session

By Senate Committee on Trade, Technology & Economic Development
(originally sponsored by Senators Bluechel, Skratek, Erwin, Sheldon,
Deccio, M. Rasmussen and Williams)

Read first time 02/24/93.

1 AN ACT Relating to networks for assisting businesses; amending RCW
2 43.31.440; adding new sections to chapter 43.31 RCW; creating a new
3 section; and making an appropriation.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The legislature finds that most net job
6 growth in Washington in the past decade came from small firms which
7 grew rapidly, and the vitality of the state's economy is becoming
8 increasingly dependent on them. Continued success of these firms
9 depends on their ability to quickly adapt to customers' changing needs.
10 Smaller businesses, however, often lack the resources necessary to keep
11 pace with rapid changes in the global marketplace. Linkages between
12 firms can allow groups of firms to work together to accomplish commonly
13 needed tasks, solve common problems, or exploit common opportunities.
14 The formation of flexible networks allows smaller firms to maintain
15 their inherent freedom and flexibility, yet enjoy the economies of
16 scale that are achieved by pooling resources, facilities, and services.
17 Flexible networks can enhance the competitiveness of small businesses
18 in the global marketplace. Flexible networks can also enhance state
19 economic development efforts by allowing agencies to deliver an

1 integrated package of services to entire groups of firms with similar
2 needs and leverage limited economic development resources.

3 The legislature further finds that many flexible networks which
4 have developed were spontaneous and reflective of the needs of the
5 participating firms. Moreover, the sustainability of a flexible
6 network depends on the commitment of the member firms. However, lack
7 of a cooperative tradition among firms and lack of awareness of the
8 benefits of flexible networks are obstacles to the development of
9 flexible networks.

10 The legislature further finds that public sector technical
11 assistance and financial support is often needed to overcome obstacles
12 to network formation. The department of community development and the
13 department of trade and economic development have assisted networks in
14 the defense contractor and secondary wood products industries through
15 technical assistance and grants. Additional network support of the
16 same types may be needed in these sectors or other targeted sectors
17 such as biotechnology, software, environmental management, and
18 recycling, and in other sectors of the economy where interest in
19 networks develops.

20 It is the intent of the legislature that the state fulfill a needed
21 role in stimulating the formation of flexible networks and in assisting
22 firms with overcoming their resistance to cooperating with competitors.
23 It is not the intent of the legislature to encourage or assist in the
24 creation of joint business ventures which engage in anticompetitive
25 behavior.

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.31 RCW
27 to read as follows:

28 (1) For the purposes of this section:

29 (a) "Flexible network" means a group of private sector firms which
30 works cooperatively to manufacture, sell, or market products or
31 services, develop technology, or create or disseminate information.

32 (b) "Flexible network broker" means a person who is trained to
33 assist private sector firms to form flexible networks and make other
34 similar efforts to provide for joint manufacturing, marketing,
35 technology development, information dissemination, and other
36 activities.

1 (c) "Industrial service center" means a nonprofit organization
2 providing services to an entire industry or sector in a defined
3 geographic region.

4 (2) The department, in consultation with the department of
5 community development, shall develop a flexible network broker training
6 program designed to provide brokers with the necessary knowledge,
7 skills, and abilities to assist private firms in the formation of
8 flexible networks. The training program shall be open to associate
9 development organization officials, as defined in RCW 43.31.097,
10 economic development practitioners, and private sector participants.
11 The department may charge a reasonable fee or other appropriate charges
12 for participating in the training program. The department should give
13 consideration to the development of a broker handbook or instructional
14 and reference videotape derived from the broker training program for
15 use by brokers and prospective brokers in the field.

16 (3) The department shall develop appropriate measures to promote
17 and make more widely known the opportunities that flexible networks
18 offer to improve the competitiveness of small businesses.

19 (4) Upon the development of a flexible network broker training
20 program, the department shall:

21 (a) Establish a flexible network resource center. The center shall
22 maintain a list of brokers who have completed the training program,
23 information on flexible networks which have been formed throughout the
24 state, and other relevant resource material which may aid firms in
25 learning about or forming flexible networks. To the extent that
26 resources allow, the resource center shall publish a newsletter on
27 flexible network-related activities and successes around the state.

28 (b) Direct federal economic development funds and grant awards to
29 directly assist groups of firms to form flexible networks. The
30 department shall:

31 (i) Provide trained agency employees or private sector consultants
32 to act as flexible network brokers;

33 (ii) Make competitive grants, not to exceed twenty thousand dollars
34 each, to groups of at least five firms for specific network activities
35 or projects. Grant awards may not exceed seventy-five percent of the
36 entire amount of the actual expenditure on the funded activity or
37 project; and

38 (iii) Assist in seeking and applying for other sources of funding
39 or in-kind assistance.

1 The department may also require that, to be eligible for direct
2 assistance, firms that participate in a flexible network collect
3 membership dues or user participation fees to help defray the costs of
4 the project. The department shall continue to pursue funding from
5 federal and private resources to continue the direct assistance
6 necessary to execute this section.

7 (c) Promote and assist in the formation of flexible networks by
8 associate development organizations, as defined in RCW 43.31.097, and
9 local governments. The department's activity shall include, but not be
10 limited to, the establishment and administration of a competitive grant
11 program for the support of associate development organization and local
12 governmental flexible network activities. The department shall award
13 grants of not greater than seventy-five thousand dollars to associate
14 development organizations and local governments for the purpose of
15 organizing and developing multiple flexible networks or industrial
16 service centers. The department shall also award grants of not greater
17 than twenty thousand dollars to associate development organizations and
18 local governments for the purpose of supporting specific flexible
19 network activities or projects. The department may require that
20 associate development organizations and local governments, to be
21 eligible for grants, require the commitment of resources by the members
22 of the flexible network in the form of user participation fees or
23 membership dues.

24 (5) The department shall not assist any flexible network that
25 participates in impermissible or illegal activities, including bid
26 rigging and price fixing.

27 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.31 RCW
28 to read as follows:

29 The department shall identify opportunities to work with flexible
30 networks in each sector of its targeted sector programs and develop a
31 strategy to promote the formation of flexible networks among firms in
32 these sectors. The department shall include a summary of the actions
33 taken under this section in its annual report to the legislature
34 required by RCW 43.31.440.

35 **Sec. 4.** RCW 43.31.440 and 1989 c 423 s 9 are each amended to read
36 as follows:

1 By January 10th of each year the department shall report in writing
2 on its targeted sector programs to the trade and economic development
3 committee in the house of representatives and the economic development
4 and labor committee in the senate. The department shall report on each
5 element of the targeted sector program, including: (1) Appraisal of
6 the sector; (2) alternatives for assisting in the growth and
7 development of the sector; (3) the choice of the strategy and the
8 rationale behind that choice; (4) the implementation of the strategy;
9 ~~((and))~~ (5) the evaluation of the targeted sector program; and (6)
10 actions taken to assist in the formation of flexible networks under
11 section 3 of this act. The department shall also make current
12 information available on a regular basis to the legislature and the
13 private sector regarding its targeted sector programs.

14 ~~((The business assistance center shall report by January 1, 1990,~~
15 ~~to the senate economic development and labor committee and house of~~
16 ~~representatives trade and economic development committee on its~~
17 ~~findings and recommendations on the establishment of an industrial~~
18 ~~extension program and flexible manufacturing networks or consortia~~
19 ~~program.))~~

20 NEW SECTION. **Sec. 5.** The sum of six hundred seventy-three
21 thousand dollars, or as much thereof as may be necessary, is
22 appropriated for the biennium ending June 30, 1995, from the general
23 fund to the department of trade and economic development for the
24 purposes of this act.

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