

Examination of the Effects of Regulatory Policy on the Economy and Business Growth

Testimony by

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The Honorable Donna Oberlander, Chairman

Chairman Oberlander and members of the House Majority Policy Committee, thank you for the invitation to testify before you on behalf of Unisys. The subject of today's hearing is critical to continuing to move Pennsylvania forward as a state that welcomes businesses and seeks to lower barriers that inhibit growth.

About Unisys

My name is John Alwine and I serve as Unisys' Region Director for Pennsylvania as well as being a life-long resident of the Commonwealth, having grown up in Dauphin County and graduated from Shippensburg University. Unisys is a global technology leader with headquarters in Blue Bell, Pennsylvania, that builds high-performance, security-centric solutions for the most demanding businesses and governments. Unisys' offerings include security solutions, advanced data analytics, cloud and infrastructure services, application services, and application and server software.

More importantly, we are a company rooted here in Philadelphia, Pennsylvania. It is where we developed the world's first commercially available computer system in collaboration with the University of Pennsylvania in 1945. Unisys is proud to be a trusted advisor and supplier of IT services to Pennsylvania. For decades, Unisys has successfully collaborated with the Commonwealth to provide reliable, cost-effective and mission critical services to Pennsylvania government agencies and citizens. Unisys' digital services have streamlined state operations, saved taxpayers millions of dollars, ensured public safety, and improved the ability of Pennsylvania citizens to obtain online access to valuable information and government services.

In June 2014, Unisys and the Commonwealth launched a first-of-its-kind initiative that transformed how state agencies acquire IT services. Through this initiative, called Pennsylvania Compute Services, or PACS, Unisys invested \$77M and is providing and operating one of the largest, Criminal Justice Information Security (CJIS) protocol secure, private cloud-based, on-demand IT computing implementations by a state government. Under the competitively-awarded PACS contract, Unisys consolidated data centers into a secure private



hybrid cloud that enables agencies to access IT services as needed, protecting the citizens' data while enhancing flexibility and service delivery available to more than 45 state agencies, boards and commissions.

Our experience in the Commonwealth has enabled us to appreciate efforts by multiple administrations to lower barriers to success while at the same time recognizing the work that still needs to be done. Moving Pennsylvania forward necessitates that the Commonwealth's leaders view the private sector as strategic partners and not competitors.

Promoting collaboration rather than competition in creating Public-private sector partnerships

Collaboration and communication between the Government and private sector is essential to the success and expansion of business in Pennsylvania. Effective interaction enables industry to understand the Commonwealth's mission needs, offer input regarding those needs, and, in turn, facilitates the Commonwealth's understanding of the private sector's capabilities to deliver on that mission. This partnership allows for high-value project objectives to be achieved on time and on-budget and promotes growth. Beyond that it just makes good sense to involve the private sector and derive the value of private sector investment, initiatives, and experience. Collaboration and communication though must start at the highest levels.

As a resident, I want to know my government values my tax dollars and seeks to maximize its use in achieving legislative, regulatory and policy goals. Too often, a lack of collaboration between policy makers, agency heads, program leaders, contractors, end users, finance, legal, and other public sector entities sets projects off, and/or continues them on the wrong foot, and the challenges to bring those programs back into line increase. While the Governor and his cabinet work with the legislature to set the policy agenda for the Commonwealth, they should request input and feedback from the private sector as early as possible on those agenda items.

Companies such as Unisys view collaboration as a means that can drive mutual benefit. By listening to the private sector up front, the Commonwealth's leaders will be in a better position to establish policies and goals that create a pro-growth environment. From that overarching agenda, agencies should be empowered to sit down with private sector companies to discuss agency mission needs, challenges and goals that best implement the Governor and Legislature's agenda.

By collaborating with the Government, companies are more likely to come up with innovative solutions that bring greater value to the Commonwealth, often at a lower cost, while still contributing to the corporate bottom line. When policy makers or government leaders instead focus only on a defined set of requirements in proposals, the result is more often than not increased costs, delays in completion and implementation and end-user dissatisfaction – especially in information technology projects. From a private sector perspective, it means higher upfront costs, delays in project completions, backloads on other work and a general inhibition on growth by delaying opportunities to grow the business.



The Commonwealth also should improve how it communicates its strategic objectives. One of the best practices employed by commercial CIOs includes establishment, written description and communication around their information technology vision and strategy, especially as they seek to modernize their enterprises. For the Commonwealth, we would recommend having a clear, publically-available strategic information technology plan, updated and published annually. That would allow the private sector to work with the Commonwealth to develop pioneering, cost-effective projects that result in high-level programs and stronger business growth. The Commonwealth must view the private sector as not merely a group of vendors competing for resources, but as a partner looking to achieve mutual growth and success.

While my suggestions are based on experiences in the information technology field, they apply to all areas of government. If the private sector is allowed to collaborate and agency's strategic plans are transparent, defined and publically communicated, Pennsylvania will be seen as an ideal place to grow and expand business. In that regard, Unisys, as a company that is, and always has been headquartered in Pennsylvania, with over 800 Pennsylvania employees, has a very special interest.

Improving Pennsylvania's Tax and Fiscal Environment

In 2016 the Commonwealth made the positive move to eliminate its longstanding capital stock and foreign franchise tax system. That effort put the Commonwealth on par with over three-quarters of the country, better positioning Pennsylvania-based companies to reinvest in their people, facilities and research and development. This move has helped us grow our presence in the state, including a recent multi-million dollar investment in our Blue Bell headquarters.

While Pennsylvania's corporate tax rates are the third highest in the country, and the highest in our region save for New Jersey, Unisys understands that lowering taxes is not a simple solution nor does it guarantee immediate business growth. We acknowledge that there must be give and take in revising Pennsylvania's tax structure to maintain the necessary revenue for the state to carry out its core missions while promoting business growth and job creation. We recommend that the legislature and Governor continue to consult with the private sector to fully understand the current implications of high corporate tax rates and the potential effects – both positive and adverse – that come with any changes. Before pushing forward with changes, we encourage the Commonwealth to continue to do what is happening in hearings such as this: ask for input from those who ultimately must pay the end-rate.

A coordinated effort between the legislature, Governor and private sector working as partners will help drive Pennsylvania forward, overcome upcoming fiscal challenges and result in people such as myself and business such as Unisys continuing to proudly call Pennsylvania our home.



The ability to grow and expand business operations depends in part on predictability in the financial environment we operate in. When the Commonwealth's leadership struggles to enact a pro-growth budget in a timely manner, businesses are forced to hold back on investments to see if any additional tax burden may be placed on them. Rather than seek to push the cost of political or policy goals mainly onto the backs of Pennsylvania companies, it is imperative that our legislature and Governor collaborate on a budget and, where feasible, invite comment and input from the private sector. But the effort cannot stop there; individual agencies must take the budget dollars appropriated to them and responsibly develop clear, strategic goals that leverage private sector knowledge and resources to produce cost efficient results.

Conclusion

Like most states, the Commonwealth faces a continuing challenge to maintain and improve the quality of services it provides, while dealing with an uncertain fiscal environment. The same is true for the private sector; uncertainty on the policy front leads to slower investments that lead to growth. Pennsylvania must continue to take important steps to reducing these barriers by fostering a marketplace that rewards companies that are nimble, competitive and provide best-in-class service and goods. Cross-sector partnerships – collaborations between the public and private – is one of those barrier-breaking paths that can not only lead to growth by those dealing with the Commonwealth, but also result in improved service quality to the Commonwealth's citizens. Where we can collaborate rather than compete, all sides benefit.

To these ends, Unisys is pleased to offer our thoughts, and appreciates the recommendations made by others testifying before your Committee. We look forward to continuing to work with the legislature and the Administration to address these important issues and to lower barriers to growth. Thank you for the opportunity to testify and to share our views, and I welcome any questions you may have.

