
“State Economic Development Strategies: Perspectives of a Site Selector”

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Setting the Stage

Manufacturing Sector – The Institute For Supply Management’s latest index report has indicated that the on-going volatile financial and credit markets are now causing major problems in the economy beyond the already very troubled housing market. The manufacturing economy does continue to expand in the U.S., but at a slower than expected and desired rate. The recent and frequent rate cuts by the Fed have not rejuvenated the economy. Energy related projects continue to lead the U.S. in planned investments. Other growth industries – Aerospace, Food, Plastics, Chemicals. Automotive industry is now changing rapidly due to increased fuel costs.

Service Sector – The U.S. continues to experience significant growth in the service sector; but not at the levels that the U.S. realized 10+ years ago.

Is The U.S. Still No. 1?

America is the most advanced, most forward looking, most self-assured country in history; yet it will have to deal with periodic crises of confidence. Our latest crisis is gasoline at \$3.50 to \$4.50/gallon. America remains a marvel of creativity.

The U.S. continued to lead the world by a significant margin in just about every measure of intellectual and technological achievement.

The U.S. has the most risk taking, most laissez-faire, least regulated economy in the advanced Western world.

Some economists are concerned that U.S. government R&D funding has fallen from a 60% to 30% share of total funding. Does government necessarily make wiser investment decisions than private companies? Such has been the case that the Soviets, Japanese, and many others, who assumed that creativity could be achieved through government planning and funding.

Is The U.S. Still No. 1? (continued)

Global competition is very keen – India, China, Mexico, Asia, South America, Central America, eastern Europe, and even Canada. Numerous major projects which would have gone to the U.S. 10 years ago are now going abroad (ex. – aerospace, electronics, software companies, data processing, etc.)

Note – The overall economies of India and China remain robust; however, during 2008, the stock markets in those countries have plummeted by 30.0% to 45.0%.

Strategy To Further Strengthen U.S. Manufacturing

- Risk Minimization.
- Reduce High Industrial Tariffs.
- Level The International Playing Field With Control Of Inflation.
- Improve Legal And Regulatory Systems.
- Develop Adequate And Affordable Energy Prices.
- Better Educated Workforce (A Critically Important Issue – World Bank Study).

The Future

The U.S. must maintain manufacturing importance to maintain its status as a world power. Capital intensive industries with small more advanced technology workforces.

America's high-tech advantage and its ingenuity will hopefully sustain the nation's manufacturing base.

Corporate distribution centers are also crucial to the functioning of retailers, manufacturers, and other business; and many locations would greatly benefit from having such centers. Supply chain management today is highly mechanized and computerized, and the workforce is more technologically advanced and trained. The employees' wages and fringes are competitive, and the jobs are typically full-time.

Third party technical support centers will create real employment growth opportunities in the U.S. as the primary companies continue to shed their direct operations to reduce overall operating costs.

Nano-Technology.

Bio-Medical & Bio-Tech.

Today's Location Analysis

Process/Selection Primary Criteria

- Logistics/Supply Chain (Applies to All Types of Businesses).
- Demographics.
- Workforce (Availability and Quality) (Illegal immigrants an issue – 7+ million living in the U.S.).
- Education (Manhattan Institute recently released a study that revealed that only 1 of 3 18-year olds are even minimally prepared for the rigors of college [admission or succession related]).
- Transportation (Access to highways, airports, dependable and reliable rail, deepwater ports, and intermodal access).
- Overall Operating Costs (One very expensive cost – health care costs paid by employee per worker - \$5,500 to \$7,000).

Today's Location Analysis

Process/Selection Primary Criteria (continued)

- Energy (Availability, reliability, and costs).
- Water and Wastewater Services and Costs.
- Government Factors (A very critical factor).
- Permitting/Environmental & Project Development Related.
- Properties (Availability, Costs, Quality).
- Business Interactions & Attention to the Retention of Existing Business.
- Image.
- Incentives (statutory and discretionary) – All location factors should be satisfied before incentives really come into play. All considerations of value apply to NPV.
- Humanistic Factors.
- Overall Quality of Life Factors.

Overall Site Location Process

- Establishment of Project Team Members.
- Development of Pertinent Criteria.
- Logistics Integration.
- Determination of Geography
- Identification and Evaluations of Location Candidates (Initial process is elimination vs: selection; and the internet, and internal data bases, are being used frequently in the initial process).
 - Direct discussions with Country, State/Provincial and Utility ED contacts for initial location identification.
 - Submittal of Criteria and RFI Questionnaire to identified communities (Includes a very detailed physical site profile).
 - Review of RFI Responses and Submitted Sites.
 - Location visits by J. M. Mullis, Inc. to fully qualify and/or prepare finalist candidate locations for Project Team visit.

Overall Site Location Process (continued)

- Project Team Visits to Location Candidate Finalist Group.

- Thought For The Day

- What makes a good listener? Everyone knows how to talk; but not everyone knows how to communicate. Remember that we have 2 ears, and only 1 mouth. Using them in their natural proportion is the recipe for communicating successfully.

- Selection of the Preferred Location.
- Negotiations of Final Incentive Package.
- Development of a Memorandum of Understanding (MOU).
- Project Physical Development Evaluation and Resolution.
- Assistance to address any remaining considerations, as needed:
 - Environmental evaluations.
 - Equipment relocation and/or installation.
 - Management assessment/approaches for the cultural merging of Company and new location.

RFI Questionnaire

- To make the selected location candidate finalist list:
 - Must meet the criteria.
 - Must respond to the questionnaire in complete detail.

Specific Topics

- How do we like to receive information?
 - Web sites.
 - E-mails.
 - Hard copies.
- How do we issue and receive RFI's?
 - Send via e-mail.
 - Receive via e-mail, flash drive, and hard copies.
- Community preparedness -
 - Details on labor, sites, utilities, incentives, transportation.

Summary

- How Does South Carolina Rank?
 - In The Top 10 U.S. States For Overall Business Climate
 - Logistics/Supply Chain
 - Positive.
 - Population Growth Through 2012
 - Positive; an anticipated 10.0% growth above the national average.
 - Workforce
 - Positive – Right-To-Work State (only 3.3% of its workforce unionized) (*Note – RTW laws make less sense as businesses become more globalized*).
 - Positive – Workers Comp Costs (some 12.0% below the U.S. average).
 - Concern – Relatively tight qualified workforce availability.
 - Education
 - Attainment Level – Some concern; Projected to remain just below the national average.
 - Transportation Access
 - Positive.
 - Energy
 - Positive.
 - Government Factors
 - Positive.

Summary (continued)

- How Does South Carolina Rank?
 - Permitting/Process & Project Development Related
 - Positive.
 - Properties
 - There is always a need for a greater variety of developed properties that are ready to meet the needs of all types of projects which have very aggressive schedules.
 - Business Interactions & Attention To Retention/Growth Of Existing Business
 - Positive.
 - Image
 - Positive.
 - Incentives
 - Positive; but overall review and approval process could be accelerated.
 - Positive – Excellent workforce selection and training program – CATT.
 - Overall Quality of Life Factors
 - Positive – A good place to work and live.