



SENATE FINANCE COMMITTEE NOVEMBER 14, 2012

Diversifying Virginia's Economy

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VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP



TWO PRESSING CHALLENGES



Of the many challenges that are driving our need to diversify, two are most pressing:

- Market competition
 - Our competitors are hungry
 - They are loading their quivers
- Sequestration / federal budget cuts

FEDERAL ASSETS

- For Virginia, federal budget cuts will matter
- Virginia represents 2.8% of GDP and 2.6% of U.S. population, yet received 16% of all federal contracts (\$78 billion) in federal Fiscal Year 2011
- Virginia has 6% (174,000) of all federal workers and is home to 19 military establishments, 90+ federal facilities, 550 federal government leased or owned properties, and 25,000 federal government contractors

FEDERAL ASSETS

VIRGINIA IS HOME TO:

**25,000+ FEDERAL CONTRACTORS,
WITH 5,000+ DEFENSE CONTRACTORS**

19 MILITARY INSTALLATIONS

90+ FEDERAL FACILITIES

550+ FEDERAL LEASED OR OWNED PROPERTIES

- | | |
|--------------------|-----------------------|
| Military Command | Military Installation |
| Federal Facility | U.S. Interstate |
| Federal Contractor | U.S. Highway |
| GSA Property | |



FEDERAL BUDGET CUTS

- **Chmura-Fuller Study: Assessing the Impact of Federal Budget Cuts on the Virginia Economy**
 - Provides baseline vulnerability scenarios resulting from the Budget Control Act (BCA) as currently mandated, as well as alternative vulnerabilities resulting from hypothetical modifications
- **Identifies a “worst case” Virginia impact scenario:**
 - Potential loss of 82,000 direct jobs at federal agencies and contractors
 - Additional 82,000 indirect jobs supported by business and personal spending shifts
- **Impacts to be felt across the Commonwealth:**
 - 60% of impacts in Northern Virginia
 - 20% of impacts in Hampton Roads
 - 12% of impacts in Central Virginia
 - 8% of impacts in the rest of Virginia

IMPACTED INDUSTRIES AND JOB SECTORS



- While the impacts will be felt across the entire economy, the most severely impacted industries will be:
 - Computer and IT services
 - Architecture and engineering and other business services
 - Scientific services and research and development
- The most severely impacted job sectors will be:
 - Business operation specialists and managers
 - Software developers and IT professionals
 - Customer service representatives

VEDP STRUCTURAL REALIGNMENT

- To address the challenges, VEDP has modified its structure to more effectively deploy in the marketplace
- Three client-focused divisions aligned specifically toward key audiences:
 - New business targets
 - Existing Virginia businesses
 - Virginia allies and partners
- Accelerated marketing, increased partnerships, and an enhanced existing business focus are all expected outcomes from the realignment

MITIGATION STRATEGIES

- Four primary mitigation strategies to face our challenges:
 - Accelerated trade assistance
 - Accelerated marketing
 - Workforce enhancement
 - Thought leadership
- These strategies are scalable, and can be adjusted to meet current needs and resources
- Some of these strategies are focused on secondary- and tertiary-level suppliers of prime federal contractors

ACCELERATED TRADE ASSISTANCE FOCUSED ON DEFENSE CONTRACTORS



- Trade missions to international and domestic defense conferences
- Hosting foreign military delegations
- Assisting Virginia defense companies with Foreign Military Sales and export compliance laws
- Building on the success of VEDP's annual Global Defense and Security Opportunities Seminars
- Supporting the National Export Reform Initiative

VALET PROGRAM

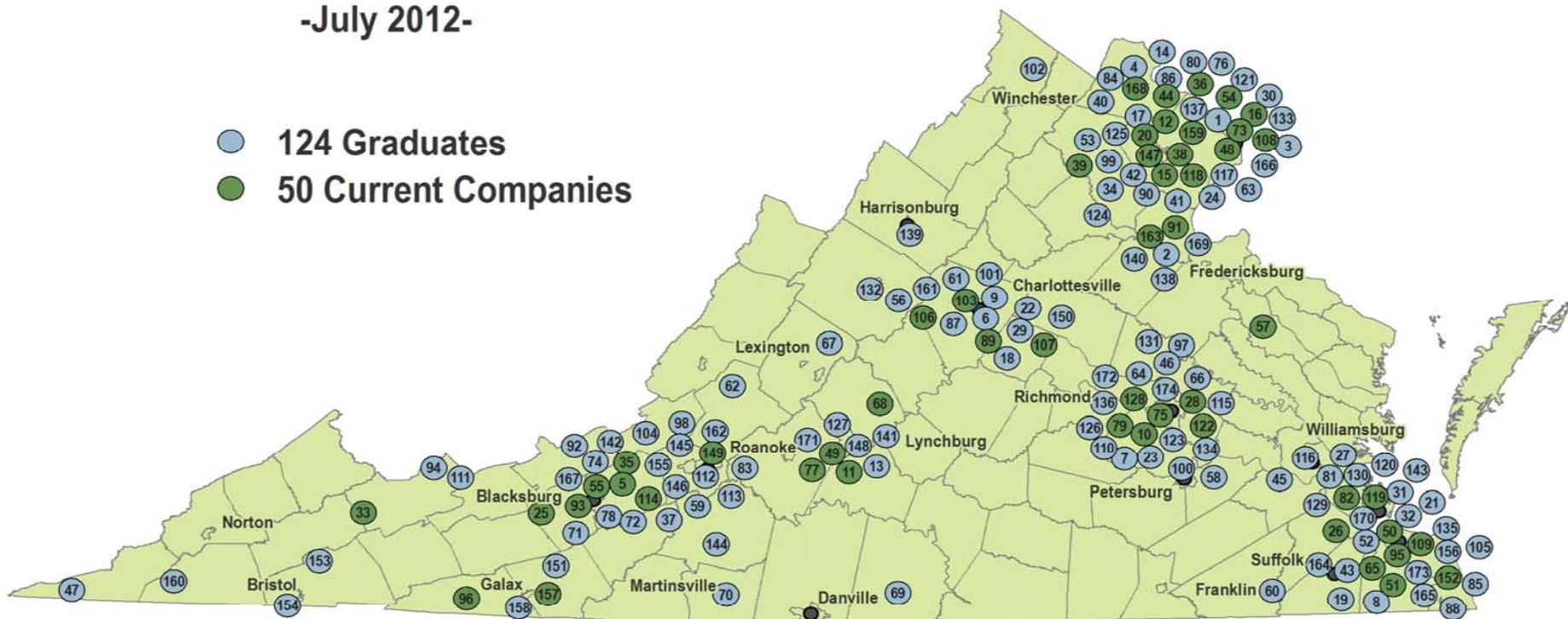


- Virginia Leaders in Export Trade (VALET)
 - Nationally-recognized, competitive two-year export promotion program launched in 2002 to accelerate Virginia companies' international sales
 - More than 150 Virginia companies have graduated from or are currently participating in the program
 - On average, companies experience an 88% increase in international sales
- VEDP Provides:
 - \$15,000 toward export related expenses
 - 25 program partners offering pro bono services
 - Executive training
 - International sales plan development
 - Networking and educational events

VALET COMPANIES

VALET Program Companies -July 2012-

- 124 Graduates
- 50 Current Companies



TRADE REGIONS



VIRGINIA'S INTERNATIONAL TRADE REGIONS

ACCELERATED MARKETING



- VEDP realignment has created a single external marketing team to focus on a coordinated strategic plan for marketing Virginia to the world
- VEDP realignment has created a single point of contract for strengthening our marketing message through our Virginia allies
- We are capitalizing on the effective use of Governor's marketing missions
- We are utilizing our foreign-based assets to maximize the opportunity for foreign-direct investment
- We are enhancing our portfolio targets and accelerating our focus on domestic and international target-rich geographic regions and industry sectors, including federal contractors and agencies in DC and suburban Maryland

INTERNATIONAL MARKETING MISSIONS



- VEDP has organized 13 Governor-led international and domestic marketing mission trips since July 2010, resulting in:
 - 16 Decisions for Virginia
 - 1,182 jobs
 - \$269,460,000 in capital investment
- In addition and as a result, there are 38 active projects from these missions that hold potential for the creation of 5,400 jobs and more than \$2.7 billion in capital investment

INTERNATIONAL MARKETING FUNDS



- Virginia's presence in international markets is essential for closing deals in an increasingly competitive global market
- VEDP opened three new international offices in India, China, and the UK over the past two years, thanks to increased funding from the Administration and the General Assembly
- We are now using these offices to:
 - Encourage supply chain companies and customers to locate near their business partners and invest in Virginia
 - Enhance our profile in those international markets currently producing the most opportunities for Virginia

RESULTS FROM NEW INTERNATIONAL OFFICES



	Opening Date	Current Active Projects	Capital Investment	Jobs
United Kingdom	March 2011	10	\$358 M	1,924
China	May 2011	4	\$130 M	530
India	November 2011	8	\$83 M	930

*Does not include projects for which Virginia has already competed and was not selected.

NEW INTERNATIONAL MARKETING FUNDS



Additional FY13 allocation of \$500,000 will be deployed among our international offices to support enhanced marketing efforts, including:

– CHINA - \$130,000

- Conducting investment seminars in Ningbo and Shanghai along with our partners
- Sponsoring major advertorial insert in Chinese magazine “Lens”
- Hosting Chinese delegation at the Automotive Aftermarket Products Expo
- Hosting and establishing formal relationship with Ningbo and the Virginia Port Authority
- Establishing a Chinese language website

– INDIA - \$80,000

- Sponsoring PAN IT exhibit
- Conducting three investment seminars
- Hosting Indian prospects emanating from Governor’s 2011 Mission to India

USE OF NEW FUNDS, CONT.

- UK - \$90,000
 - Supporting expenses at Farnborough Air Show
 - Hosting of prospects at key marketing events
- EUROPE - \$120,000
 - Engagement of lead generation firm for Germany to assist lean staff in that market with prospects and outreach
- JAPAN - \$80,000
 - Participation in INCHEM Tokyo
 - Food Expo and Automotive Industry Expo
 - Establishment of a Japanese language website

ENHANCED EXTERNAL MARKETING



- Craft targeted and systematic external marketing strategies to promote Virginia as a high-value business location
- Engage in “surge” marketing to blanket a given geographic area or industry sector with our message
- Primary initial target opportunities:
 - Northeast
 - Midwest
 - West Coast
 - DC / Suburban Maryland

FEDERAL & PRIVATE SECTOR GOVERNMENT CONTRACTOR STRATEGY



- Created a capture team focused on increasing pipeline from federally-related opportunities, primarily in DC and suburban Maryland
- Uncovering high value / strategic projects among federal contractors
- Targeting federal agencies—GSA, DoD, DHS, DOS, and DOJ—to offer Virginia as a lower-cost alternative
- Current Results:
 - 3,210 calls
 - 1,256 total leads
 - 33 appointments
 - 5 projects
 - 9 suspects

WORKFORCE ENHANCEMENT

- #1 issue reported by our business partners is workforce
- Continue to bring together disparate but important components of Virginia's workforce apparatus:
 - Virginia Community College System
 - Virginia Employment Commission
 - Institutions of Higher Education
 - Workforce Investment Board
 - Chambers of Commerce
 - Communities
- Capitalize on the potential increased availability of our highly-skilled labor as an attractive asset to domestic and international clients, including those that may be looking to "re-shore"

THOUGHT LEADERSHIP

- We need to provide thought leadership on factors that can impact our economic success:
 - Support Virginia’s congressional delegation as they work to avoid the fiscal cliff and preserve key federal procurement and operations
 - Develop a more consistent communication channel to members of Virginia’s congressional delegation
 - Seek the assistance of Virginia’s congressional delegation on opportunities in sectors in which increased federal spending is likely:
 - Unmanned aerial systems
 - Modeling and simulation
 - Cybersecurity
- Be smarter about utilizing our existing assets by strengthening strategic partnerships

STRATEGIC PARTNERSHIPS



- Virginia is working with staff of the Secretary of Veterans Affairs and Homeland Security to support a grant from the U.S. Department of Defense's Office of Economic Adjustment
 - Among other important issues, the grant will fund a survey of federal contractors in Virginia to determine interest in various state assistance programs
- VEDP signed an MOU with all of the state-supported universities and colleges
- VEDP signed an MOU with the Virginia Port Authority

THE HIGHER EDUCATION MOU

- **Goals of the partnership:**
 - Partnering together will more strongly position Virginia in the marketplace
 - Underleveraged business networks at the universities can be accelerators for lead generation
 - Increased public higher education collaboration with new and expanding businesses in Virginia
 - Visible and strategic alignment in areas of mutual objectives will lead to increased successful outcomes for all parties
- **Active collaborations are underway:**
 - Geographic marketing strategies leveraging alumni networks
 - VEDP social media blogs on higher education partners
 - University partners participating in VEDP outreach marketing in selected venues

THE VPA MOU

- **Goals of the partnership:**
 - Partnering together will more strongly position Virginia in the marketplace
 - Enhanced collaboration can accelerate the project pipeline and best market Virginia to businesses using port facilities that create jobs and invest capital in Virginia
- **Active collaborations are underway:**
 - Joint marketing efforts
 - Significant Board interactions and cooperation
 - Staff coordination on special projects

FINAL THOUGHTS

- We must proactively employ a variety of strategies to diversify and strengthen our economy: move from defense to offense
- The days of one state agency being responsible for the economic vitality of the Commonwealth are in the past
 - Silos are ineffective
 - Mutually-beneficial collaborations are more effective
- We must build the next generation of economic development on the foundation of higher education and other workforce initiatives
- We must unify and amplify our message in the marketplace, and maximize and coordinate our varied public and private resources to deploy more aggressively in the marketplace

UNIFIED MESSAGE: VIRGINIA AS THE BEST STATE FOR BUSINESS



- Business-first values
 - Virginia's leaders are committed to business's needs, free enterprise, and maintaining a profit-friendly environment
 - An experienced and professional economic development team—focused on concierge service and solutions for business
 - Right-to-work state—third lowest unionization rate in the country
- Easy access to domestic and global markets
 - Washington Dulles International Airport
 - The Port of Virginia
 - Two of the nation's largest railroads operate in Virginia

VIRGINIA AS THE BEST STATE FOR BUSINESS



- Stable and low operating costs
 - 6% corporate income tax rate has not been increased since 1972
 - One of the lowest average workers' compensation costs and unemployment tax burden's in the U.S.
- Talented and educated work force
 - TechAmerica, the leading high-tech trade association, ranks Virginia as the national leader for its concentration of high-tech workers
 - Nearly 20,000 doctoral scientists and engineers are employed in Virginia— one of the highest concentrations in the nation
 - More than 500,000 students are enrolled in over 100 in-state institutions of higher education

THANK YOU

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