

NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD
FLETCHER/ ASHEVILLE, NORTH CAROLINA
November 20-21, 2008

On Thursday, November 20, 2008, the North Carolina Economic Development Board gathered at the DoubleTree Biltmore Hotel in Asheville. At 12:30 p.m., the bus departed for the Volvo Construction Equipment Headquarters. Dale Carroll, President, AdvantageWest gave an overview of the company. Michael Shore, ICF and Scott Clark, Appalachian Energy, discussed WNC Solar Companies. Remarks made by others included: Robert Sipes, Vice-President, Western Region, Progress Energy, Harry Poovey, Economic Development Manager, Duke Energy and lastly John Stevens, Ph.D., Asheville Sustainability Center, talked about sustainability.

The group visited Biltmore Park Town Square. Paul Szurek, CFO, Biltmore Farms and Tammy McIntosh, V.P. of Leasing and Property Services, Biltmore Farms, gave an overview on and vision of the Biltmore Farms. Jonathan Hoppe, President, Netriplex and Fred Reese, President, WCI, Inc. also made presentations.

The tour continued at the North Carolina Arboretum with remarks by Cheryl McMurry, Executive Director, Bent Creek Institute, Greg Cumberland, Vice-President, Strategic Initiatives, Gaia Herbs and George Briggs, Executive Director, CECI Climate Initiative.

Following the tours, AdvantageWest hosted the Board at their Annual Dinner Meeting at the Grove Park Inn.

On Friday, November 21, 2008, the Board met at AdvantageWest Offices in Fletcher, NC. Chairman Whichard called the Economic Development Board to order at 8:45 a.m. He thanked everyone for attending the meeting and especially for coming out in the midst of the snowy weather in Asheville.

Chairman Whichard thanked Economic Development Board members Jack Cecil and Dale Carroll and Tommy Jenkins, Chair of AdvantageWest, for hosting the Board. He also complimented them for the great tour and wonderful dinner that was provided on Thursday evening.

Tommy Jenkins welcomed the Board and thanked everyone for spending some time in the western North Carolina area.

Chairman Whichard introduced Gordon Myers as a previous Chair of the Economic Development Board, in addition to being the 14-year Chair of AdvantageWest. He said that Mr. Myers initiated the EDB Strategic Plan in the early days of the Easley administration. He thanked him for his leadership of the ED Board and AdvantageWest.

Mr. Myers thanked everyone for attending AdvantageWest's annual event. He said that he invited Peter Reichert to speak to the EDB on behalf of Governor-Elect Perdue. Mr. Reichert has been one of the Governor-Elect's senior advisors and will continue in that capacity. He is from Greensboro.

Mr. Reichert explained that Governor-Elect Perdue was taking some well-deserved vacation but she sent her greetings and best wishes. He thanked Dale Carroll for the fabulous dinner on Thursday night. He also congratulated Secretary Fain for his award and for the distinction of being the longest serving Secretary of Commerce for North Carolina.

He acknowledged the new administration would have a lot of the same issues facing them as the current administration. The budget deficit will require most of Governor-Elect Perdue's attention. He said that the Department of Commerce will play a critical part in helping her see her way through this crisis. He said that under Secretary Fain's leadership, North Carolina continues to get the number 1 ranking for virtually every way new jobs are brought in and stated that Governor-Elect Perdue will be an active economic development governor.

Mr. Reichert continued to inform the Board that the transition team has been assembled with Zack Ambrose as Chief of Staff; and Norris Tolson, Don Hobart, Valarie Lee, Linda Carlisle, Howard Lee and Hilda Pinnix-Ragland making up the team. Mr. Reichert talked about some of the focuses of the new administration that included education and healthcare. He encouraged feedback from the Board members of ideas to move forward as well as personnel recommendations.

Chairman Whichard thanked Mr. Reichert for his comments and noted the progress the Economic Development Board has made over the past eight years. He stated there is disappointment that the Board made much progress, but that the national economy and crisis are conspiring to erase some of that progress. He said that with the right strategic plan and the right folks leading the state and Commerce with the right investments, that the ship will be right again. He said that he looked forward to Mr. Reichert and Governor-Elect Perdue's leadership.

A motion was made and seconded to approve the minutes of the September 24-25, 2008 Board meeting as presented. The motion carried.

Chairman Whichard introduced Libby Smith, ED Board Staff Director, PRSP Division, NC Department of Commerce, to discuss the draft letter that the Board proposed sending to the Legislature. The letter listed the specific elements in the EDB Strategic Plan that have yet to be addressed.

Ms. Smith said that there are 17 action items remaining in the Strategic Plan that have not yet been accomplished. She noted that most of the items were asking for funding or recurring funding for specific programs and staffing. It was agreed to send a letter to the Legislature from the Board urging and encouraging them to consider supporting these items.

Chairman Whichard said they would not be finalizing the letter today but wanted them to decide how and whether the Board wanted to communicate these issues to the Legislature before session. The following are some issues that were discussed:

- The number of items that relate to the UNC system – recommended consolidating these.
- Some of the items listed could only be promoted by DOC and the ED Board, some have their own lobbyist, therefore did not need as much promotion from the Board.
- Concerns that JDIG was not included on the list
- Suggested Rita Harris, Legislative Affairs Program Director, contact the Legislators that are on the committee

After much discussion, Chairman Whichard asked folks to send their comments to Ms. Smith and she would resend the letter to the Board for further consideration before a final version is done. He said that the Board should not confuse the Strategic Plan update with an advocacy letter.

Secretary Fain gave a presentation on Commerce Updates and Activities, which included:

- State Employment 2001-2008 – even though about 230,000 manufacturing jobs have been lost, those jobs have been replaced with more technology related and capital driven jobs.
- High Performance Roadmap – communicating and aligning for high performance, developing and training for high performance and recognizing and fostering high performance.
- North Carolina Office in China – new office opening in Shanghai in January 2009. Ms. Marlinda Ma was hired to be the full time trade and investment representative.
- Business Link North Carolina
- North Carolina #1 business climate, seven of last eight years
- YTD 2007 vs. 2008 – Assignments up 13%, announcements down 22%, amount invested up 56% and jobs created up 15%
- 2009 Legislative Priorities: Extending JDIG sunset, changing eligibility of IDF Utility Account to include all Tier 1 and Tier 2 counties, obtaining vital budget increases for Commerce, i.e. competitive level of advertising/marketing dollars and recurring appropriations for operating systems.
- Nanotechnology in North Carolina
- 2009 Nanotechnology Commercialization Conference scheduled for March 25-26, 2009 in Raleigh
- 2008 Budget Cuts – 5% for now – not filling vacant positions will help with Commerce cuts
- 2009-10 Budget Expansion Requests
- 2009-10 Budget Grant Funds Requests: One NC Fund, One NC Small Business Fund, Green Business Fund and Community Enhancement/Transformation Grants

- Transition

Secretary Fain gave an Overview of Four Areas of Importance for Strategic Alignment. He said the first of this set of strategies is for economic development to be referred to as Cluster-based economic development. He noted the most important thing that came from the UNC Cluster Study was that it provided a new set of tools that will drive North Carolina's ability to find opportunities in developing clusters or industry sectors. He also talked about the key results of the study and the cluster methodology. The industries and their value chains were aggregated into clusters. He talked about the relationship between industries and clusters. He also talked about the Occupational Trends in a Transitioning Economy.

Stephanie McGarrah, Assistant Secretary for Policy, Research and Strategic Planning, made a presentation on North Carolina Development Hubs. The presentation overview included widely-shared prosperity, what are development hubs, overview of UNC-CH and NCSU joint study and what is the Economic Development Board's role? Dr. Michael Walden, NCSU will identify possible hubs through data analysis and Will Lambe, UNC-CH will evaluate best practices for development hubs. The final study with analysis from NCSU and UN-CH will be completed by January 31, 2009. At that point, the EDB's role would be to review the completed study and make recommendations, if applicable, to the Governor and Secretary of Commerce.

John Hardin, Director, Office of Science & Technology, made a presentation on Advancing Innovation in North Carolina. Mr. Hardin said that this is a project that the Board of Science and Technology has been working on for about a year. The report has 3 chapters: Chapter 1 – Change, Competition, Challenges, & Opportunities, Chapter 2 – North Carolina's Current Innovation Performance and, Chapter 3 – An Innovation Framework for all of NC to Compete and Prosper. He mentioned that the U.S. shares of Global S&T are falling due to global competition increasing. He said that people need to be versatile. In general, North Carolina ranks below average on most types of R&D but academic R&D ranks way above average. NC's academic R&D is concentrated in certain regions – especially the Research Triangle Region. Duke, UNC-Chapel Hill and NC State account for 80% of NC's academic research. There are pockets of that activity spread throughout the state. That is the important pattern that the state needs to build on and that would help spread prosperity throughout the state. It was noted that the state is headed in the right direction. Some other topics discussed are as follows:

- Composition of workforce
- Science and Technology are drivers of innovation
- Innovations have driven growth and prosperity in NC's Economy
- NC's R&D indicators compared to other states and U.S.
- Industry R&D activity within NC
- SBIR/STTR Awards within NC
- Patent Awards within NC
- High-Tech activity/companies within NC
- Suggested policies and programs for NC's innovation framework

Roger Shackelford, Director, Workforce Division, gave a Workforce Update. Mr. Shackelford said the unemployment rate is 7% - that is the highest in North Carolina since

January 2002. He said that there are some short-term challenges. They are working with laid off workers but also have some longer-term challenges. Congress recently passed an unemployment insurance compensation extension that would pay for 13 additional weeks. These are income support dollars that go to workers that have been laid off. Through the month of September, over 17,000 officially reported layoffs were announced in North Carolina. The layoffs, as a result of the economic recession, are generally across the board. Lots of different industries are being affected by the economy and will have to lay off workers. He stated the longer term trends still exist and NC is faced with challenges over the next two years in regard to the talent pool having a sufficient number of skilled workers to meet the demands of new and existing industries in our state. Employers consistently say that they are having difficulty in finding workers that are still labeled production workers, but they are required to have a higher level of skills. 25% of the current labor force is baby boomers that will be retiring soon, therefore the state will be losing the institutional knowledge of these skilled workers. The need is to move adult displaced workers who lack skills from the now filled low wage jobs into the new middle jobs.

Mr. Shackelford completed his presentation with recommendations that included:

- Target education and training opportunities for workers in declining occupations
- Increase high school graduation rates and ensure youth are prepared for work or education
- Provide adults with good access to lifelong education, training, and employment opportunities
- Expand education and training capacity
- Align clusters and targeted industry sectors with education, training and employment programs and resources

Following Mr. Shackelford's presentation, Secretary Fain suggested the Board support funding for the Community College on a current year basis to give them the resources to deal with surges in downturns as discussed in Mr. Shackelford's presentation. He stated that the ability to do collaborative research is the key to spur an innovation and better cement the ability to retain or recruit jobs with key industries. Therefore, he felt the Board needs to support competitive research grants, etc. He suggested coming up with the common areas of potential investment or actions that could be brought back for the Board's consideration. There was much discussion about how clusters are based on industries.

Chairman Whichard asked Ms. McGarrah to get an interim summary of some of the advocacy points that were discussed and present those at the next Board meeting.

Dale Carroll, Economic Development Board member and CEO, AdvantageWest, gave an overview of the AdvantageWest Annual Report. He said that the annual report was constructed based on the voice of the customer. It tells the story of the 23-county region through the customers and partners that they have worked with. They follow a 5-year vision that is based on team cluster renovation. He talked about the Blue Ridge advanced manufacturing initiative. He gave numerous examples of success stories for the AdvantageWest region. Other topics discussed were:

- The first food business incubator in North Carolina, and the largest in the southeast.

- WNC Film Commission
- Media Arts Program
- Tourism Development
- Blue Ridge Entrepreneurial Council
- Certified Entrepreneurial Community Program
- Future Performance – noted that they want all their programs to continue to be successful, they are concentrating on 3 big initiatives, AdvantageGreen, Creative Commerce and Bent Creek Institute

Mr. Carroll acknowledged Harry Poovey, Economic Development Manager, Duke Energy. He was selected to receive the 2008 James B. Duke Award. That is the highest award a Duke Energy employee could earn.

Jack Cecil, Economic Development Board member, said the history of the west has always had a participatory and collaborative partnership with multiple entities. He credited much of their success on the Western North Carolina Development Association that was created in the '40's. He talked about some clusters they have in western North Carolina, some existing, were true and tried, some are very young, and some they have not identified.

There were numerous comments and questions regarding the AdvantageWest presentation. It was noted that the overall success of all these programs can be contributed to the fact that numerous entities join together with their resources and ideas to create a working, productive environment. By sharing ideas and programs with other North Carolina counties and entities, all of North Carolina can be more successful.

Chairman Whichard thanked the AdvantageWest folks and the Department of Commerce staff for their presentations. He noted that the next meeting is not yet scheduled, but it could possibly be in February with the location somewhere in the Triangle area, to ensure the legislative attendees participation. He reminded the Board members of their task of the retooling of the letter that talks about the strategic plan update and EDB priorities to be addressed by the General Assembly.

Being there was no further business to discuss; the meeting was adjourned at 12:10 p.m.