

Department of Economic and Community Development: Job4TN Plan



April 20, 2011

Letter from Governor Haslam



Dear Fellow Tennesseans,

Since January, I have been traveling across Tennessee listening, learning, and working to build real solutions to our state's challenging economic circumstances. Since taking office, I have become more convinced than ever that Tennessee has some of the best workers and economic assets in the United States. Over the past four months, my administration has met with over 400 Tennesseans to develop the "Jobs4TN" plan contained in the following pages. This plan is focused on leveraging and aligning our existing assets, encouraging innovation, and reducing government regulation. With your help, I am confident this strategy will help make Tennessee the No. 1 location in the Southeast for high-quality jobs.

Sincerely,

A handwritten signature in blue ink that reads "Bill Haslam".

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Governor Haslam asked ECD to undertake a 45 day top-to-bottom review to develop a Jobs4TN plan



The Governor's Jobs4TN plan contains four key strategies for making Tennessee No. 1 in the SE for high-quality jobs



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ECD used Michael Porter's clustering methodology to identify clusters in which Tennessee has a competitive advantage

Definition of a Cluster

Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular industry, including product producers, service providers, suppliers, universities, and trade associations

Traded Clusters

- Include those industries that compete across regions and which tend to concentrate in particular locations
- Are engines of regional economic competitiveness
- Account for only about a third of employment, yet they achieve the highest wages and productivity levels and drive demand for localized businesses

Local Clusters

- Involve activities serving almost exclusively the local market
- Located in every region in roughly the same proportions
- Employ the majority of people in any regional economy, so their efficiency is critical for competitiveness in traded clusters

Key Questions

How can Tennessee gain a **competitive advantage** when compared to other states?

How can Tennessee ensure jobs are **high-quality**?

How has each industry **performed in recent years**?

What is the **likelihood** of the industry **fostering significant job growth**?

Metrics

1. Tennessee share of U.S. employment in each cluster (2008)
2. Percent difference between Tennessee average wage and U.S. average wage in each cluster (2008)
3. Average Tennessee wage in each cluster (2008)
4. Change in Tennessee's share of employment in each cluster (1998-2008)
5. Percent of venture capital deals in each cluster (2005-2010)

ECD will now focus its business development efforts on six key clusters in which the state has a competitive advantage

Automotive

- Motor Vehicles
- Automotive Parts
- Automotive Components
- Forgings & Stampings
 - Flat Glass
- Production Equipment
- Small Vehicles & Trailers
- Tires & Inner Tubes



Chemical Products & Plastics

- Intermediate Chemicals & Gases
- Packaged Chemical Products
- Other Processed Chemicals
 - Refractories
 - Ammunition
- Plastic Materials, Resins & Products
 - Paints & Allied Products
 - Synthetic Rubber
- Carbon Fiber & Advanced Composite



Transportation, Logistics, & Distribution Services

- Air & Land Transport
- Transportation Arrangement & Warehousing
- Merchandise, Apparel, Accessories, Food Products, Farm Material & Supplies Wholesaling
 - Catalog & Mail-order
- Airports & Bus Terminals
- Trucking Terminals



Business Services

- Headquarters
- Data and Call Centers
 - Financial Services
- Online Information Services
- Computer Services & Programming
- Facilities Support Services



Healthcare

- Surgical Instruments & Supplies
- Dental Instruments & Supplies
- Medical Devices & Equipment
 - Diagnostic Substances
 - Healthcare Services
 - Healthcare IT
- Biological and Biotechnology Products
- Health Insurance Products



Advanced Manufacturing & Energy Technologies

- Motors, Generators & Batteries
- Refrigeration & Heating Equipment
 - Appliances
- Lighting Fixtures & Electrical Parts
- Turbines & Turbine Generators
 - Clean Energy Products
 - Electric Services



Source: Only a subset of existing Tennessee companies in each cluster are listed above

ECD will also partner with other state agencies to support additional key clusters

State Agency

Tennessee Department of Agriculture



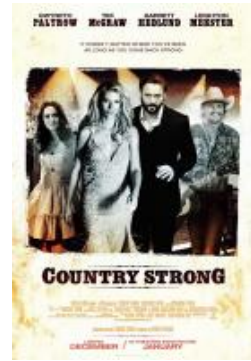
Tennessee Film, Entertainment, and Music Commission



Tennessee Department of Tourism



Assets



ECD will proactively recruit companies to Tennessee within these targeted clusters

Highly Targeted, Proactive Recruitment

- ECD will be assigning a **full-time analyst** to identify companies that are looking to relocate or expand
- This analyst will especially focus on finding companies in **targeted clusters** and in states that are highly unfriendly to business
- The **Governor and Commissioner** will personally reach out to the CEOs of these target companies to ask them to consider moving their company to Tennessee

Site Selection Consultants

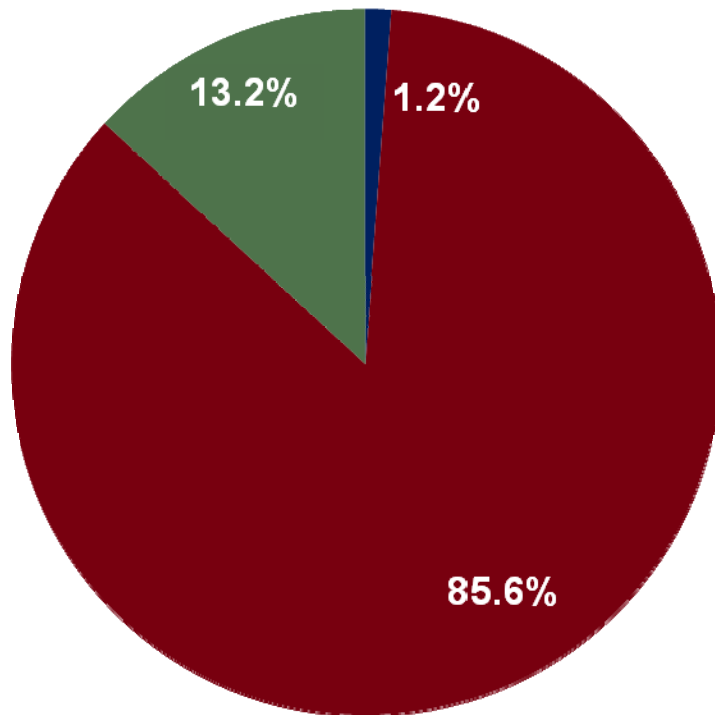
- A small number of **site selection consultants** have brought the vast majority or relocation projects to Tennessee
- The **Governor and Commissioner** will personally reach out to these site selection consultants
- ECD will build a team of five to six **project managers** to ensure these site selection consultants can get questions answers for their clients quickly and accurately

Tennessee Companies' Suppliers and Customers

- The Governor and Commissioner will meet with **existing Tennessee companies** that have a large supplier or customer base
- The **Governor and Commissioner** will ask these companies to partner with the state to recruit their suppliers and customers to Tennessee
- These suppliers and customers could gain a **competitive advantage** by moving closer to their business partners in Tennessee

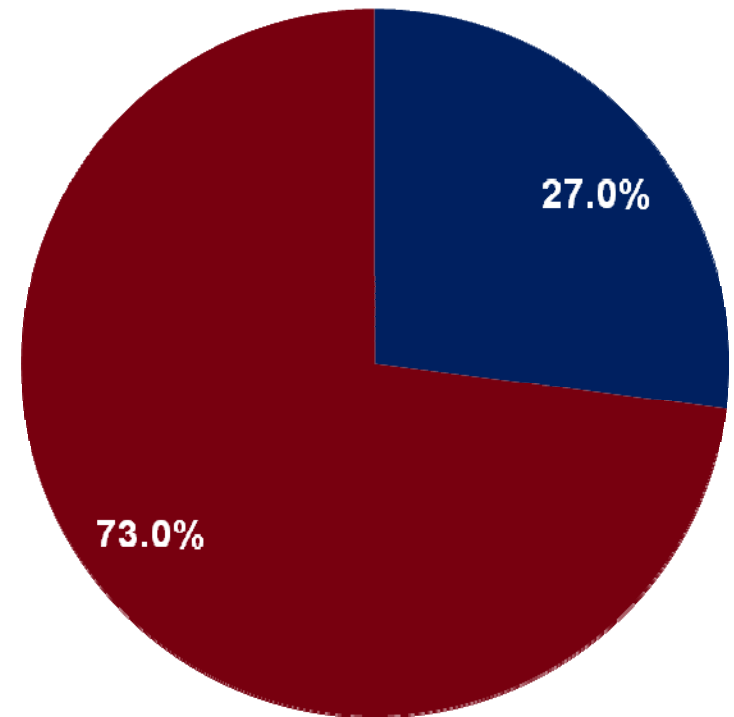
ECD's review found that a vast majority of new jobs in Tennessee are created by existing businesses

All Jobs



- Relocations to Tennessee
- Expansions of Tennessee Businesses
- Newly Created Businesses

ECD Announced Jobs



- Relocations to Tennessee
- Expansions of Tennessee Businesses

ECD will now develop a toolkit and outreach strategy to help existing businesses thrive and expand in Tennessee

Research

- ECD's research division will identify the largest existing businesses in each county and in each target cluster

Toolkit Development

- ECD will finalize a toolkit to help existing business expand and remain competitive that will include:
- Tax Credits (e.g., Jobs Tax Credit)
- Low-Interest Loans (e.g., Pathway Lending funds)
- Technical Assistance (e.g., UT Center for Industrial Manufacturing)
- Reduced Electricity Prices (e.g., TVA's Valley Investment Initiative)

Business Outreach

- Governor Haslam and / or Commissioner Hagerty will meet with the largest 100 employers in the state
- ECD field staff will be trained on the state's toolkit for existing businesses and work with local economic development officials in each region to inform existing businesses about this toolkit
- ECD will partner with key statewide groups (e.g., TN Chamber of Commerce) to conduct webinars on the state's toolkit for existing businesses

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Nine “jobs base camps” will be established across the state, each of which will be led by a Regional Director

NW & SW Tennessee

- Current ECD Staff: 4
- Future NW Staff: Director +1
- Future SW Staff: Director +1

Northern Middle Tennessee

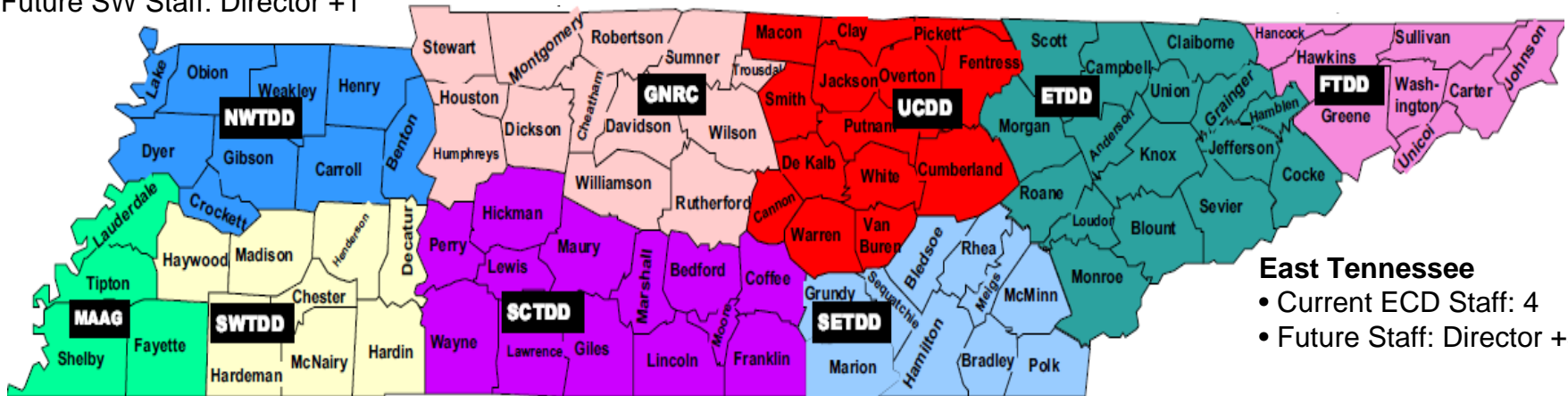
- Current ECD Staff: 6
- Future Staff: Director +4

Upper Cumberland

- Current ECD Staff: 2
- Future Staff: Director +1

Northeast Tennessee

- Current ECD Staff: 2
- Future Staff: Director +2



Memphis Area

- Current ECD Staff: 4
- Future Staff: Director +3

Southern Middle Tennessee

- Current ECD Staff: 2
- Future Staff: Director +1

Southeast Tennessee

- Current ECD Staff: 2
- Future Staff: Director +2

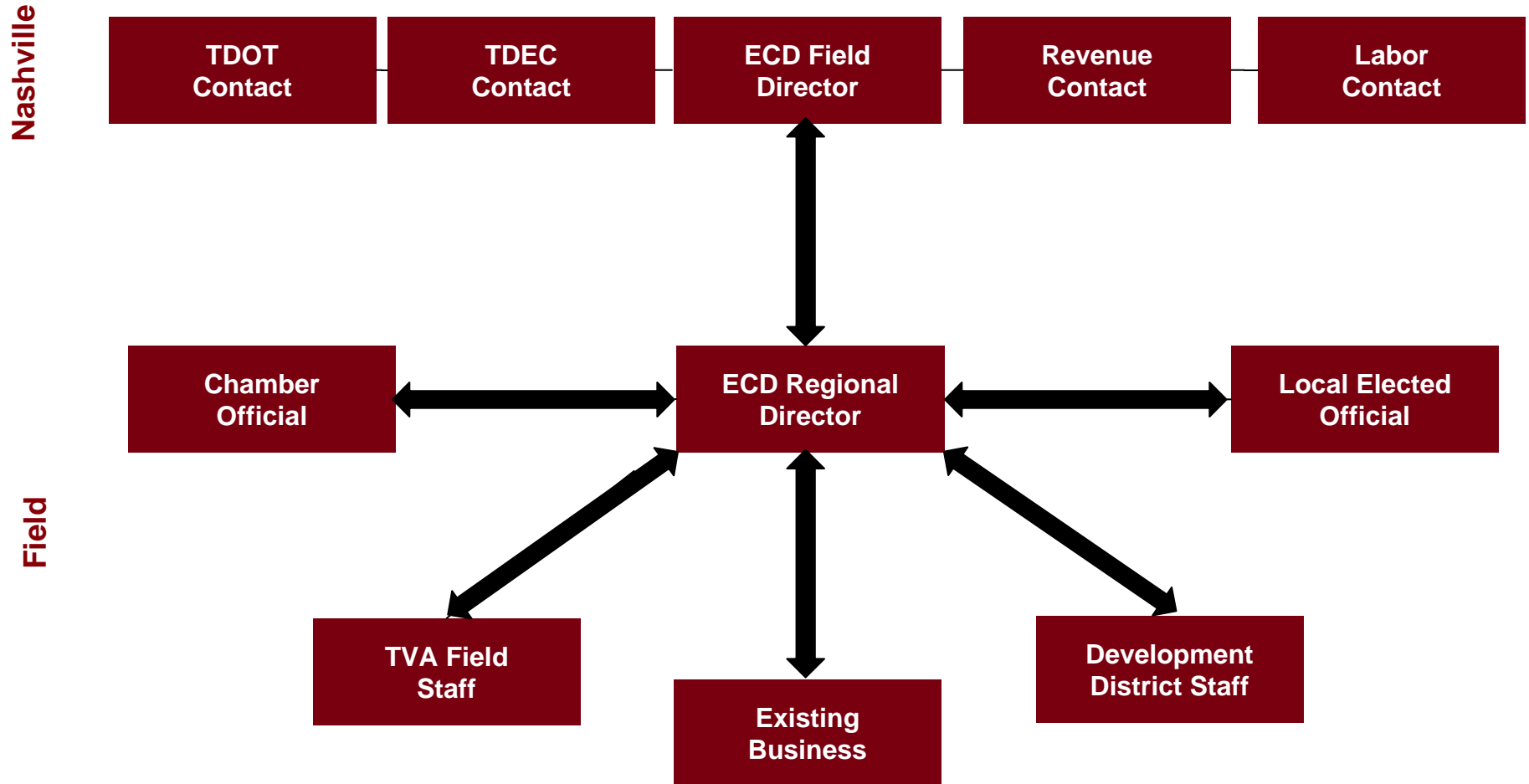
East Tennessee

- Current ECD Staff: 4
- Future Staff: Director +3

Next Steps

- ECD interviews and hires a director for each region by early May
- New regional directors hire regional staff by mid-May
- All regional staff come to Nashville for a statewide training in mid to late May

Each Regional Director will serve as a single point of contact for all jobs and business-related issues in the region



Each “jobs base camp” will focus on six key activities

Activity	Details	Partners
Strategic Plan	<ul style="list-style-type: none">• Develop and/or revise a regional economic development plan	<ul style="list-style-type: none">• ECD, local partners
Business Recruitment	<ul style="list-style-type: none">• Identify “shovel-ready” sites in each region and create a regional plan for investing in near “shovel-ready” sites• Load all potential sites into ECD-maintained database	<ul style="list-style-type: none">• ECD, local partners
Business Expansion	<ul style="list-style-type: none">• Develop a plan for reaching out to all existing businesses to see what, if anything, can be done to help them reinvest and expand	<ul style="list-style-type: none">• ECD, local partners
Innovation	<ul style="list-style-type: none">• Create or reinvest in an entrepreneurial incubator in each region	<ul style="list-style-type: none">• ECD, local partners
Workforce Development	<ul style="list-style-type: none">• Enhance coordination between workforce investment boards and regional “jobs base camps” through regular meetings• Use data to ensure that workforce investment funds are aligned with training needs of existing employers	<ul style="list-style-type: none">• ECD, Labor, local partners
Grants	<ul style="list-style-type: none">• Align existing funding sources to support implementation of regional economic development plans• Explore new funding sources to support implementation of regional economic development plans	<ul style="list-style-type: none">• ECD, Labor, TVA, USDA, others

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Governor Haslam will announce a major statewide innovation initiative on May 5th at the Tennessee NEXT Conference

The Challenge

- Only **2.5%** of R&D in Tennessee universities is funded by private industry
- Tennessee's patents per worker are only **two-thirds** of the national average
- Only **7** companies were launched last year with intellectual property developed at Tennessee research institutions
- Only **28 of 140** licenses from Tennessee research institutions are owned by Tennessee-based companies

The Opportunity

- **Innovation Coordination:** Identifying synergies between all of Tennessee's innovation assets
- **Commercialization:** Assisting researchers and companies in commercializing early stage technologies
- **Entrepreneurship:** Supporting entrepreneurs in all areas of the state as they work to launch companies
- **Early Stage Capital:** Helping early stage companies find capital sources that allow the companies to remain located in Tennessee

Next Steps

- Governor Haslam will announce **a new statewide innovation initiative** at the Tennessee Next Conference on May 5

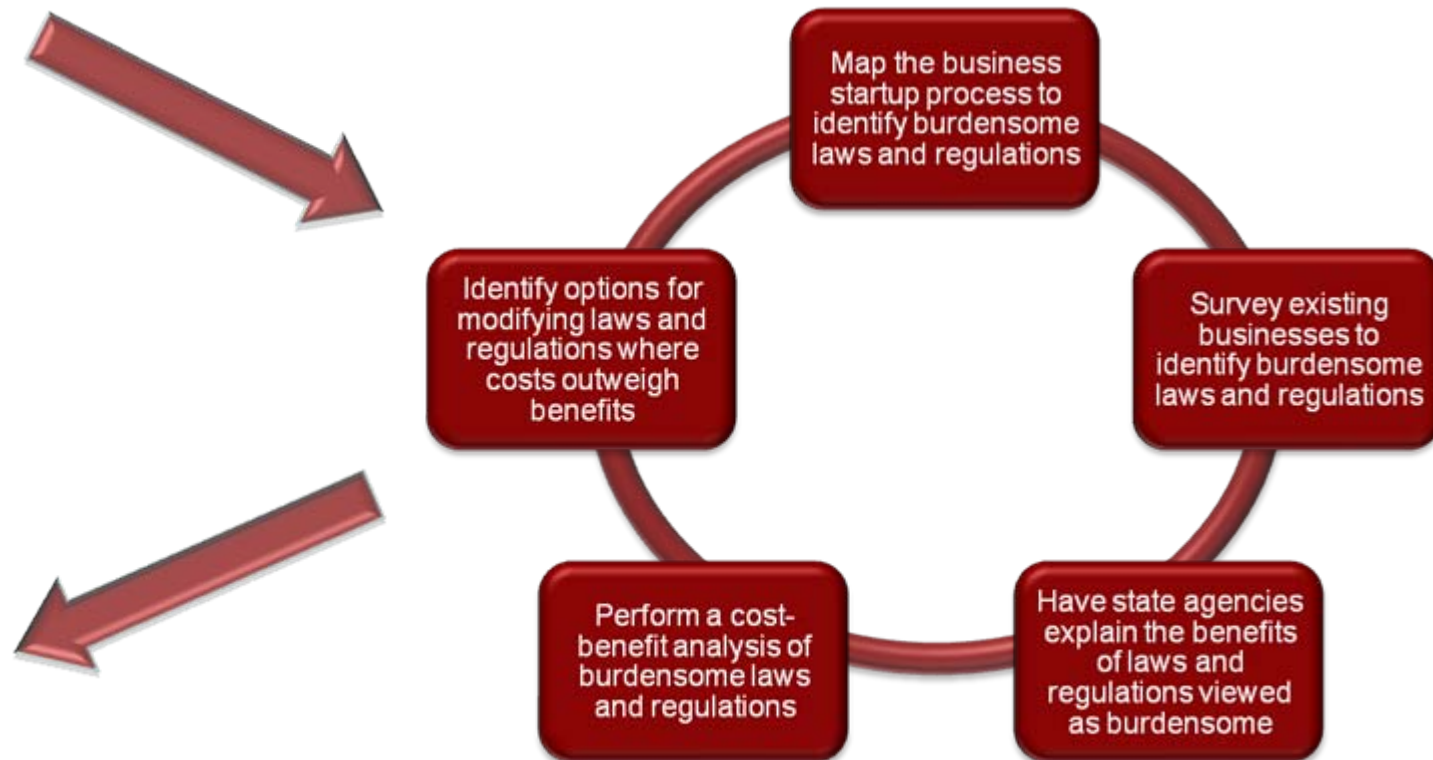
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An ECD-led working group will produce recommendations on how to reduce regulations on business by Fall 2011

Objective:

Identify existing federal and state laws and regulations that negatively impact Tennessee businesses and explore options for modifying or removing those laws and regulations



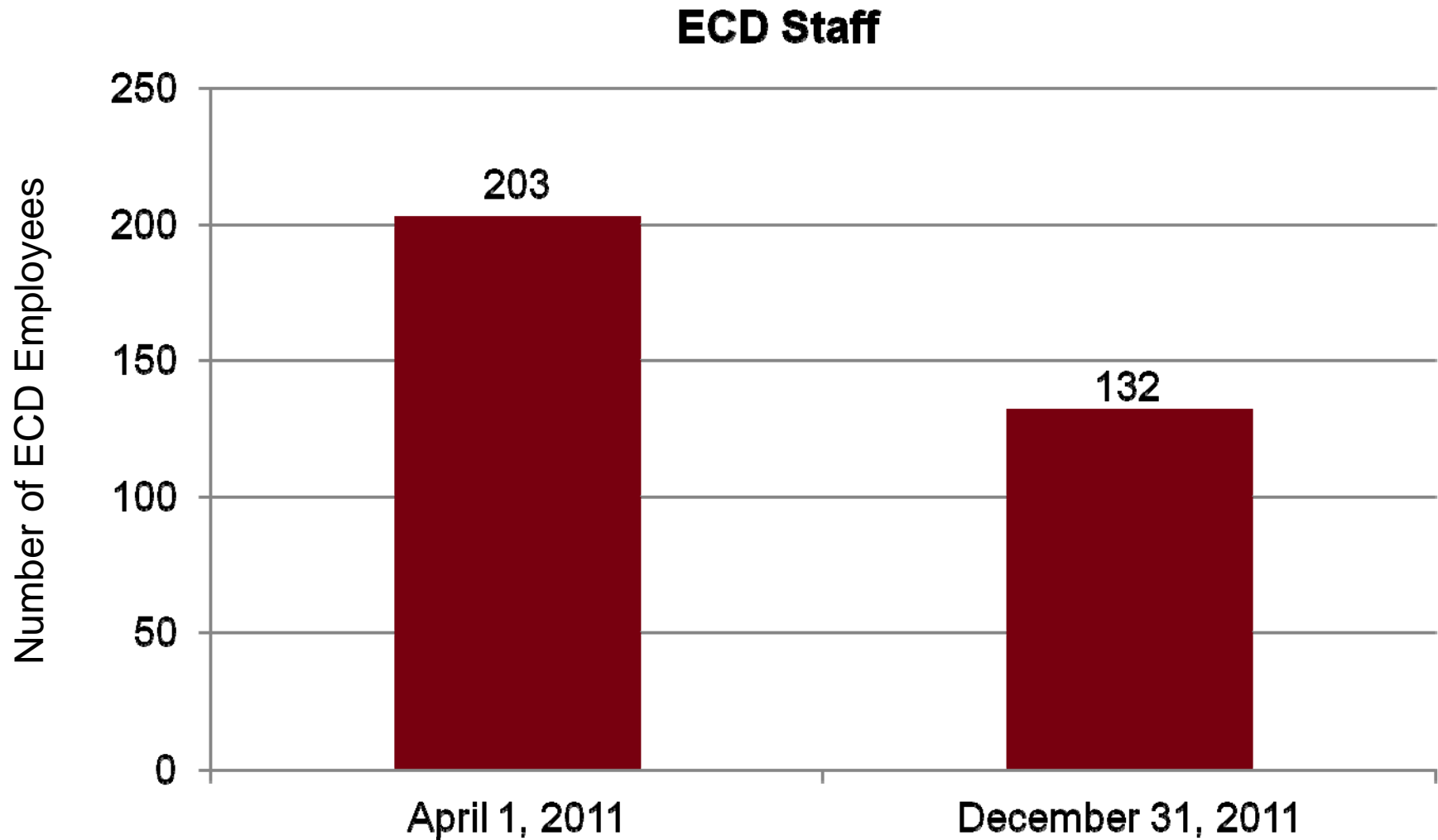
Result:

Produce formal recommendations for Governor Haslam and Tennessee's Congressional delegation by Fall 2011

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ECD will undergo a major reorganization to better support the Jobs4TN plan, resulting in a net staff reduction of 35%



Note: The vast majority of personnel reductions will occur by July 15, 2011

ECD has also appointed a new senior leadership team to oversee the implementation of the Jobs4TN plan

