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Georgia Competitiveness Initiative
Region 3 (Atlanta) Summit
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The Georgia Competitiveness Initiative (GCI) (http://www.georgiacompetitiveness.org/) is conducting summits in 12 regions of the State during the months of June, July and August in order to assist Governor Deal in the development of a long-term strategy for economic development. I attended the Region 3 (Atlanta) Summit on Monday, July 18, at the Georgia Tech Conference Center. The following is a summary of the summit:

- **Tad Leithead**, Chairman of the Atlanta Regional Commission, provided the welcome and introductory remarks. Tad noted in particular the recent decision by the 11th Circuit Court of Appeals regarding access to water from Lake Lanier; the important upcoming referendum on the transportation initiative; and the anticipated opening of the new international terminal at Hartsfield-Jackson International Airport in April 2012. He also noted the continuing influx of people to the metro Atlanta region, presenting important opportunities and challenges regarding provision of places to live, work and shop.
- Tad was followed by **Craig Lesser**, representing the Governor's Georgia Competitiveness Initiative Steering Committee. Craig challenged the group with the need for a single-minded, state-wide strategy. He confirmed that "nothing is off the table," and that the Governor would be listening carefully to the results of these 12 regional meetings.
- Following these introductory remarks, the first group of speakers included **Bud Peterson**, President of Georgia Tech, **Larry Callahan**, CEO of Pattillo, and **Donna Hyland**, CEO of Children's Healthcare of Atlanta. The comments of this group were perhaps best summarized by Larry Callahan who, quoting Wayne Gretzky, said that we need to "skate to where the puck is going to be." **Dr. Peterson** noted that, with the launch of its 135th mission, the Space Shuttle program comes to a close. He reminded the audience of how the space program embodied the American spirit—"if we can put a man on the moon, we can do anything!" We must continue that spirit of ingenuity and, in particular, must leverage our strengths in the field of education in order to ensure innovation. Dr. Peterson emphasized the need to invest in higher education, noting that University System of Georgia member institutions graduate 50,000 students each year. He also commented on the importance of collaborations with the business community and with technical colleges, and on the importance of our K-12 education system,

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which provides the "feedstock" for our research institutions. Because we can not compete in the global economy based on price, he noted that we must compete based on value and innovation. For example, our tax code and the regulation of intellectual property must foster competition. We need to prepare students to become the next generation of innovators, inventers and entrepreneurs. Innovation and technology are the drivers of a competitive 21st century, and we need a renaissance in our manufacturing sector, focusing on information technology, biotechnology and nanotechnology. Finally, he observed the importance of bringing the world to Georgia in order to secure international opportunity. We must leverage our advantages with the Atlanta airport, the Port of Savannah, and the many consulates that are located in Atlanta. **Larry Callahan** spoke next, and began by noting that 8.35 million jobs were lost during the recent recession. How long will it take to recover those jobs? His answer is that we can't simply wait for "it" to come back, but rather need to create a new "it." We must reinvent ourselves. Similar to Dr. Peterson's challenge to our space-age ingenuity, Mr. Callahan reminded us that we are a country of immigrants and explorers, and that we have a history of transforming ourselves. For example, 40% of our workforce was in agriculture in 1900, while only 2% is today. The Great Depression of the 1920s and 1930s resulted in 25% unemployment, heavily impacting banks and the housing industry. Recovery required us to reinvent ourselves through the auto industry, the expansion of the interstate highway system, and other means. 1973 marked the end of cheap energy, requiring major adjustments by Americans, and 2008 marked the end of cheap credit. With these reminders of our resiliency in the past, Mr. Callahan closed with several examples of new trends he sees for reinventing out economy—spending less time in vehicles; challenging ourselves to do the hard things that will make us stronger; planning now for a more robust, efficient economy in Atlanta; maximizing our productive time; creating special places of natural beauty; facilitating connections in order to minimize wasted time; fostering regional cooperation; and establishing high goals requiring visionary leaders and entrepreneurs. **Donna Highland** closed out this session with comments on the ecosystem underlying the remarkable success of the Silicon Valley, which featured three elements: (a) talent, which was produced by the businesses and educational institutions within that community: (b) a culture of innovation, collaboration and entrepreneurship; and (c) capital and infrastructure. Donna noted that a Metro Chamber study in 2009 indentified that the Atlanta area has all of the ingredients for successful development of the technology and bioscience fields. Bioscience in particular had potential for rapid growth, with three key areas of focus: medical devices, vaccines, and healthcare information technology. Ms. Hyland discussed the impact of hospitals and physicians on the Georgia economy, with some 288,000 full time jobs created by hospitals.

- The next speaker was **Bob Drewel**, Executive Director of Puget Sound Regional Council and the founder of the Prosperity Partnership in Seattle. Mr. Drewel reviewed "what worked for us" for this Atlanta audience. By way of context, he noted that the Seattle area had become complacent, placing too much reliance on the two Bills—Bill Gates of Microsoft and Bill Boeing of The Boeing Company. They determined that they needed to have a more diversified economic base, and also needed to be ready to fight for their competitive position in the national economy. Key learnings included the need to stop partisan jurisdictional squabbling, and instead to think and act regionally. Their work in economic development activities required an awareness that land use decisions are always linked to transportation decisions, which required regional planning. They obtained a major grant that was critical in jump-starting their efforts, and noted that they needed a lot of "foot soldiers" from various chambers and economic development agencies to accomplish their goals. They also needed a leader, a point person, to keep these efforts focused. In getting started, they did a lot of research to identify and understand existing local plans, with a view toward enhancing their ability to blend state, regional and local decision-making. They also reached out to the media to establish healthy relationships there, which were helpful when they ultimately announced the formation and goals of the Prosperity Partnership. That conducted a summit with more than 1,000 participants at a local football stadium to kick things off, and began building consensus on the foundational issues that needed to be addressed in order for them to be successful. Some 350 organizations joined the Prosperity Partnership, and there was a strong trail of accountability around each of their strategies. They established five "clusters" for strategic focus: aerospace, clean technology, life sciences, information technology and logistics. They also identified early on that you can't have entrepreneurship or innovation without smart people—talent is essential, and that requires successful research institutions. He also commented on the importance of having tools by which success can be measured.

- Following a mid-morning break, four of the key players in development of a statewide economic development strategy were introduced: Atlanta Mayor **Kasim Reed**, Georgia Governor **Nathan Deal**, Georgia Economic Development Director **Chris Cummiskey**, and Georgia Chamber of Commerce President **Chris Clark**. Mayor Reed noted that we are all in this together, and that we rise and fall together. He focused particular attention on the importance of our transportation infrastructure, noting particularly the need to expand the Port of Savannah, and the significance of the scheduled opening of the new international concourse at the Atlanta airport in April, 2012. While the recent 11th Circuit ruling on Lake Lanier was encouraging, it is imperative that we work with the Corps of Engineers and our neighboring states to develop a long term solution to the water needs of our region. The bottom line—we need to embrace a single, unified Georgia, united with a common goal of ensuring a strong and healthy economy. Governor Deal spoke next, and emphasized the fact that he is not looking for a white paper to put on the shelf, but rather wants specific action items that can be readily implemented in order to make an impact. How can we make Georgia the most competitive state in the country when it comes to a positive environment for business development? He commented on the significant budgetary issues that face the state, but pledged not to solve those shortfalls with tax increases, which would be considered a negative factor in terms of business recruitment. Chris Cummiskey and Chris Clark then reviewed the six standards by which we are measuring our competitiveness (and our current national rankings in each of these areas): (1) Global Commerce (12th); (2) Business Climate (8th); (3) Workforce Development (21st); 4) Infrastructure (9th); (5) Innovation (13th); and (6) Government Efficiency (7th).
- The Georgia Competitiveness Initiative had recently conducted surveys around the state, and the results of those surveys were reviewed with the audience, revealing generally consistent views regarding quality of life standards, major strengths, and hindrances to growth in the private sector. The results were reported for Region 3 alone and for the state more broadly. The group was then asked to vote on the most important factor influencing each of the six categories described above. Those polling results were then the topics for discussion at the break-out sessions during the afternoon.
- The final speaker for the morning was **Dr. Jeff Humphreys**, Director of the University of Georgia's Selig Center for Economic Growth. Dr. Humphreys expressed his view that the odds for a sustained economic recovery were 3 to 1, despite the slow and bumpy path the recovery has taken thus far. As for why he has such a high degree of confidence, he noted that (1) election results in the fall of 2010 reflected a movement away from the federal government, in favor of the private sector, as the source of recovery; (2) GDP growth will be based on consumer spending, exports and business spending; (3) Georgia's economy should continue to benefit from low short term interest rates, which are predicted to remain in effect through late 2012 and into 2013; and (4) a double-dip into another recession is unlikely, because the imbalances in the private sector have largely been fixed through the de-leveraging process. Notwithstanding this optimistic forecast, Dr. Humphreys noted a number of risks to recovery, as well: (1) upheaval in the Middle East; (2) risk to our national credit rating due to excessive federal spending (although he noted that Georgia is not particularly vulnerable to federal spending cuts, as the state receives about $1 from the federal government for every $1 that we contribute to the federal budget in taxes); and (3) cuts in Social Security and Medicare could hurt the willingness of retirees to relocate to sunbelt states, and Georgia has depended upon an in-migration of workers and retirees, who are likely now to be less mobile in this economy. Dr. Humphreys noted that Georgia was hit harder than most states by the recession, and is also recovering more slowly

than most. As to whether that suggests Georgia has lost its competitive edge, Dr. Humphreys observed that going in to the recession, Georgia's economic success was driven primarily by development rather than on innovation, R&D, emerging industries, and the like. Much of this imbalance has now been reversed, as the risks to our economy have been absorbed and the private sector restructuring is largely completed. As a result, Dr. Humphreys expects 2.3% growth in Georgia's economy in 2011, followed by 2.9% in 2012. Based on the corresponding estimates for the nation, this would be the first time in years that Georgia has not underperformed the national averages, especially as we look forward to 2013. Georgia is still competitive—perhaps moreso than at any time in the last decade. Job growth is estimated at 1% (40,000 jobs) in the next year, so it may take several years (estimated 2016) to recover the jobs lost during the recession. In particular, the loss of construction jobs is still taking a significant toll on our economy. In addition, it is anticipated that there will be a loss of federal and state government jobs, although those losses may be offset by job creation in the private sector. He also estimated a 1.4% growth in household formation, significantly less than in the past, due to the slow rate of job growth as well as increasing financial pressures on retirees. Dr. Humphreys concluded his remarks with an assessment that was consistently heard throughout the morning—Georgia needs to embrace a new growth model, rather than waiting for our old patterns of growth to re-emerge from the economic downturn. We need new strengths to supplement our traditional and enduring strengths, such as transportation and logistics, international trade, foreign investment, business services and corporate headquarters. Those new strengths are likely to be in the area of biotechnology and life sciences, strengthening our home-based capital markets, and providing enhanced financial services. Importing talent to Georgia will be difficult, so it is important for us to educate and train our own people. Finally, he emphasized the need to be more effective at "closing the deal" on new business. We are often on the short-list, but do not have the requisite deal-closing discretionary funds and other incentives required to win those competitions, as our competitors in the southeast and southwest are extremely aggressive in that regard. In summary, Georgia is poised to see average to above-average growth if we don't do anything to adjust our economic climate—with the successful development of new strategies resulting from the efforts of the Governor's competitiveness initiative, we could return to the days when Georgia's growth routinely outpaced the rest of the country.

- These morning sessions provided the food for thought that then informed small group discussions for the balance of the meeting. The audience was divided into ten working groups, each of whom reviewed a number of the factors that are deemed pivotal to the growth of Georgia's economy. After approximately two hours in these working sessions, the entire group reconvened to report out their conclusions and recommendations. This is the fourth of twelve such meetings that will continue around the state over the next several weeks. It is anticipated that, at the end of this intensive process, a specific set of recommendations will emerge that will become the basis for a collaborative strategy shared by the public and private sectors for beginning the process of moving Georgia towards a more prosperous future.