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To: Veldran, KatherineKatherineVeldran@gov.sc.gov
Date: 4/20/2012 12:05:30 PM
Subject: RE: "S.C. has leadership akin to Carroll Campbell"

Yes, that's some great PR and can only help build momentum.

Spoke with Eric Bedingfield last night at an event and ask him when the House was going to take up restructuring again. He said next week and that they planned to strengthen the bill. I'll be interested to see what that means.

Where were you in the Vogue shot?

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From: KatherineVeldran@gov.sc.gov
To: KatherineVeldran@gov.sc.gov
Date: Fri, 20 Apr 2012 10:20:15 -0400
Subject: "S.C. has leadership akin to Carroll Campbell"

This is good stuff!
Hope all is well.
Thank you,
Katherine

IN CASE YOU MISSED IT

Southern Business & Development: Watch out world: The Palmetto is back
South Carolina weighs in with some huge job and investment-generating projects
By Mike Randle
<http://www.sb-d.com/Features/Winter2012/ThePalmettoisBack/tabid/481/Default.aspx>

I remember when the South Carolina Department of Commerce (back then it was called the S.C. Development Board) was the most feared state economic development agency in the most competitive economic development arena on the planet; the American South. It was also the region's most consistent even after Wayne Sterling left as Commerce Chief of Staff in 1994. Sterling, along with then-Gov. Carroll Campbell, was credited with recruiting BMW to The Palmetto State in 1991. That project remains the "Big Kahuna" in South Carolina more than 20 years later.

In the recently concluded winter quarter, the German automaker announced another massive expansion at its plant in Spartanburg County. This one is a mere \$900 million investment. Anyone have a South Carolina-made BMW X3 or X5 model in the family parking lot? We do. And the only kid

out of five that isn't old enough to drive wants -- you guessed it -- an X3.

Wayne Sterling led South Carolina's economic development efforts from 1988 to 1994. Experts in the field at the time predicted South Carolina would become less competitive after Sterling left. That wasn't the case. South Carolina continued to be one of the most consistent economic development states in the South throughout the 1990s.

After leading economic development in Virginia under then-Gov. George Allen in the mid-1990s, Sterling came back to South Carolina in 1999. Things changed at Commerce when Sterling unexpectedly resigned during his second stint at running the agency in 2001. There was a "scandal" at the South Carolina Department of Commerce that the agency couldn't seem to shake. From what we recall, it was centered on the amount of money Sterling and Commerce spent on golf and golf tournaments. Yes, Wayne liked to play golf, but no one turned more deals on a golf course than Wayne Sterling did. As a result of the scandal, the agency became politicized in 2001 and 2002.

Then in 2003, Mark Sanford came in as governor and Commerce was again at the mercy of politics. Sanford wanted to run Commerce on a shoestring budget, proclaiming, "When it comes to economic development in this state, I am going to put my Wal-Mart coat on." In fact, Sanford even brought in Wal-Mart signs and such to Cabinet meetings after being elected because he wanted his state government to be run more like Wal-Mart. "When you think of state government, do you think value?" That's what Sanford said in an article by the Post and Courier in March of 2003. Of course, Sanford had the financial scandal at Commerce two years earlier to build his case of practicing economic development on the cheap.

So for more than a decade of dominating economic development in the South per capita during the late 1980s and throughout the 1990s, the South Carolina Department of Commerce was only a shell of its former self for the next 10 years.

I remember receiving a call from an interim director of some kind at Commerce and he wanted me to come over to Columbia and talk. He wanted my advice. I recall the date because it was the day of Strom Thurmond's funeral procession in Columbia -- July 1, 2003. In fact his funeral procession was going on in downtown Columbia as the interim director and I discussed what was going on at Commerce.

As I listened, there was a knock on the door. Peeking in was Frank Newman, a project manager at Commerce for ages. Frank said to the interim director, "Well, I'm gone." I said to Frank, who I had known for quite some time, "Where you going Frank, out to lunch? I will go with you, we are nearly done here." Frank said, "No, Mike. I am gone," as in leaving Commerce.

I knew then the South Carolina Department of Commerce that I had known so well had changed. It was no longer the best and most consistent state economic development agency in the South. As for Newman, well, he is now working with Columbia-based Alliance Consulting Engineers as its Director of Business Development and I asked him recently about the good old days at Commerce. "We felt the old Development Board had an advantage over other state economic development agencies in the South because we did not operate from a Cabinet form of government," Newman said. "It gave us more stability after a new governor was elected in South Carolina. We were less influenced by politics."

Now it is almost 10 years later and things have changed again at Commerce. If 2011 and so far in 2012 are any indication, the South Carolina Department of Commerce is back and it is stronger than ever. Some of the most sought-after projects in the South over the last 15 months or so have been won by South Carolina. A sampling includes Amazon, Bridgestone, ZF Group, First Quality Tissue, Continental Tire, TD Bank and BMW's \$900 million expansion announcement in January. Together

just those eight projects will ultimately create about 11,000 jobs. Of course, that doesn't include the thousands of jobs Boeing created after beginning production of the 787 in North Charleston in late 2010.

Credit for South Carolina's and Commerce's comeback can be given to new Governor Nikki Haley. Her choice of Bobby Hitt as Secretary of Commerce has been nothing short of brilliant. Hitt has only been on the job for 15 months and has achieved more in that time than any Commerce Secretary since Wayne Sterling.

Hitt formerly was the manager of corporate affairs for BMW at its massive plant in Spartanburg County, S.C. He also served as director of planning and development for the law firm Nelson Mullins Riley & Scarborough. In that role, Hitt was involved with the aforementioned Sterling in recruiting BMW to the Upstate. Prior to that Hitt worked in the newspaper business as an editor.

"Bobby Hitt brings a unique set of strengths to the Department of Commerce," said Fred Gassaway, Executive Vice President of the South Carolina Power Team. "He is a native of Charleston and has worked in Columbia and Spartanburg, so he knows South Carolina. He also knows manufacturing and international business, which are two of the state's most important assets. And he has a great team of project managers and research staff that know how to meet the needs of the client. One of his personal strengths is his leadership style and the ability to motivate others."

Unlike some state economic development secretaries or directors, Hitt isn't shy about playing favorites. He is focused like a laser on manufacturing projects, and he should be. We have been writing and saying for four years now that manufacturing is the future of the South's economy and Hitt gets it.

In a story published last year in The Post and Courier, Hitt said he is focused on "wealth-creating" manufacturing jobs. "The top of my to-do list is bringing in manufacturing and manufacturing-related activities to South Carolina. I have a varied background, but for the past 18 years, I have been in the manufacturing field. I earnestly believe that manufacturing is the source of wealth-creating jobs that we need in our state. I believe it also has a huge impact on our local governments because manufacturing generally is a long-term commitment to plants and equipment that pay taxes," Hitt said.

Hitt is also not shy about revealing his old school economic development strategies. He is a big buffalo hunter cast in the same mold as Neal Wade, the former Director of the Alabama Development Office and now the CEO of the Bay County EDA (Fla.); Gray Swoope, the head of Enterprise Florida and formerly the Director of the Mississippi Development Authority; Larry Hayes, Kentucky's economic development Secretary; Stephen Moret, the Secretary in Louisiana Economic Development and of course, the retired Wayne Sterling, among a handful more.

For Hitt, he is targeting big projects like Boeing and BMW, and in just over a year, he has landed several. Continental and Bridgestone's new tire plants that are currently under construction represent investments that total almost \$2 billion. And those two plants along with Michelin's facilities in the state essentially solidify South Carolina as the No. 1 tire manufacturing state in the nation.

But let's not forget that it was Gov. Haley who had the foresight to pick Hitt for the job. Nikki Haley, who at age 40 is the youngest current serving governor in the U.S., is wise beyond her years when it comes to the practice of economic development.

"It is great to see a governor who places economic development as one of the highest priorities of her administration," said Deepal S. Eliatamby, PE, President of Alliance Consulting Engineers, which is based in Columbia, S.C. "If her first year in office is any indication, we are excited about what the next

several years will bring to our state."

Haley was born Nimrata Nikki Randhawa in rural Bamberg, S.C., on January 20, 1972 to a Jatt Sikh family of Randhawa Clan. Her parents, Dr. Ajit Singh Randhawa and Raj Kaur Randhawa, are Sikh immigrants from Punjab, India. She is the first Indian-American to hold office in South Carolina and is one of two Indian-American governors in the South. The other is Gov. Bobby Jindal of Louisiana.

While Commerce has transformed itself into an industrial recruiting machine once again, other economic development resources in the state are successfully chugging along as they have for decades in The Palmetto State. Two that come to mind are the energy providers Santee Cooper and the South Carolina Power Team.

In February, utilities whose systems make up the largest electric power system in South Carolina, announced a new, lower electric rate designed to attract jobs and industrial expansion in the state. Twenty independent, member-owned electric cooperatives and state-owned electric and water utility Santee Cooper together provide power in all 46 counties in South Carolina.

The economic development rate is for new or expanding industries and could result in savings of as much as 20 percent on electricity costs to an industry, depending on the size and characteristics of the electric load. For example, a plant operating on three work shifts (24 hours) would benefit more than a plant operating only one shift.

"Even in the face of increasing power-production fuel prices for coal and natural gas, we must look for ways to grow the state's economy," said Ron Calcaterra, CEO of Central Electric Power Cooperative, electricity supplier to the electric cooperatives.

An emphasis on industrial growth by the cooperatives and Santee Cooper is particularly important because they provide power to much of the areas where expansion is likely to take place -- rural and suburban areas.

"One of our goals is to promote economic growth in South Carolina by attracting capital investment and business expansion," said Lonnie Carter, president and CEO of Santee Cooper. "By participating with Central and the electric cooperatives in the development of this new rate, we've produced another key incentive for recruiters to bring additional jobs to our state."

Santee Cooper sells more electricity to Central than to any other customer and Central purchases much of its power from Santee Cooper. Together, they serve more consumers than any other electric utility in the state. The new economic development rate is available to any industrial customer that is served by the co-ops or Santee Cooper.

Central and Santee Cooper also promote growth through their jointly funded South Carolina Power Team, the only statewide non-government economic development organization.

"The rural areas of South Carolina are becoming increasingly attractive to new industry," said Ralph Thomas, president of the S.C. Power Team. "Economic development incentive rates will be a tremendous asset in bringing new businesses and jobs to those areas."

The new economic development rates reduce the demand charge over the first four years after a qualifying industry begins operation. Typically, the demand charge could represent as much as 40 percent of an industry's total power bill. The rate offers a discount off of the "firm" industrial rate, has an eight-year commitment, workforce and capital investment requirements, and a four-year discount period.

Yep, South Carolina has a lot going for it right now. A governor that puts economic development at the top of her agenda, a Commerce Secretary that fishes with the biggest lures and hunts with the biggest guns in the rack, energy providers who are willing to cut rates for new and expanded industry and a world-class port to move the goods made in that state to worldwide markets.

One of those big lures used by Commerce helped land the largest single investment in South Carolina history last year. On the first day of Fall 2011, Bridgestone Americas Tire Operations ("BATO") announced that it would build its first large and ultra-large off-the-road radial tires (ORR) facility in Aiken, S.C. The total investment for the project will be approximately \$970 million and consist of a 1.5 million-square-foot facility built on a greenfield site in Aiken. Bridgestone simultaneously announced a 474,000-square-foot expansion of its existing passenger and light truck tire plant in Aiken County in addition to the announcement of a 266,000-square-foot expansion announced in July 2011. The \$1.2 billion in combined investments will constitute the largest single capital investment in South Carolina's history and will create 850 new jobs.

Bridgestone's ORR facility was the deal's centerpiece and a major strategic investment for the company because it is the first time Bridgestone will produce ORR tires outside of its Shimonoseki and Kitakyushu plants in Japan. The new plant site is approximately 550 acres and Bridgestone broke ground on October 31, 2011, with the first tire production scheduled for the first quarter of 2014. The plant will be built with a focus on the environment and plans to achieve LEED Construction Certification by incorporating state-of-the-art technology in its facility and equipment design.

"We have mobilized our team and are all looking forward to the day in 2020 when we're at full capacity at Bridgestone Group's only large and ultra-large off-road radial facility in the world outside Japan. Yet, there's a lot of work to be done before we can roll off that first tire in 2014," said Steve Brooks, Chief Project Officer, BATO. "We look forward to working with the people, companies, and service providers in the region to get our operation up-and-running, and we are excited to be able to provide a much needed economic boost to the area in doing so."

Mark Williams, President of Strategic Development Group, Inc. based in Columbia, S.C., led the site search for BATO's project. The search was one of the most rapid of its size in the history of the Southeastern U.S. Williams said, "The search began in June 2011 and included several Southeastern sites." He said that Aiken's Sage Mill tract entered the competition for the project late but quickly became the preferred site because of the tract's excellent utility access, proximity to the interstate, excellent topography and buffer. Williams also pointed out that the Aiken region provided a workforce that was prepared to tackle new technology. "We were delighted with Aiken County's and South Carolina's support to help complete site due diligence and related negotiations," said Williams.

Not to be outdone, another massive tire plant site search was going on in the South at the same time as Bridgestone's by Germany-based Continental Tire. And like the Bridgestone search, it had to be done in lightning-quick fashion. Soon after Japan-based Bridgestone announced its plant in Aiken, Continental Tire announced on October 6, its plant at a packed house at the Sumter, S.C. Opera House. The deal, projected to be a \$534 million, 1,700-job mega project, is expected to become much larger as time goes by. Continental Tires the Americas plans to produce 16 million passenger and light truck tires each year at the Sumter plant. In the end, Sumter County beat out sites in its own state, North Carolina, Georgia and Louisiana for the elite project.

One of the chief reasons why South Carolina has seen a large wave of "big buffalo" manufacturers of late -- outside of its new economic development leadership -- is because it is one of the most cost-effective places to make something in the largest economy on the planet. Operating costs for manufacturers is paramount now and low cost states in the South are the driving force behind the re-shoring event that has been happening in the South over the last three years.

When Boston Consulting Group published its controversial report titled "Made in America, Again," in August of last year, South Carolina's cost of doing business was highlighted. "When all costs are taken into account, certain U.S. states, such as South Carolina, Alabama, and Tennessee, will turn out to be among the least expensive production sites in the industrialized world. As a result, we expect companies to begin building more capacity in the U.S. to supply North America. The early evidence of such a shift is mounting," part of the report read.

Those three sentences virtually changed the opinions of millions when it comes to how competitive the South is with low cost countries such as China when it comes to manufacturing. In fact, in my cover story that I wrote in the last edition of SB&D titled, "A Defining Moment: How the American South is beating China at its own game," I cited the aforementioned Bridgestone project as the poster child of the re-shoring event.

It was S.C.-based Mark Williams, the consultant on the Bridgestone project, who proved to us that our theory was dead-on that the rising number of manufacturing plant announcements each year in the South since 2007 was the result of companies like Bridgestone choosing the South over China for added capacity.

Mark told me last September that the Bridgestone project was "approved for Asia" but when the Japanese tire manufacturer's number crunching showed the tires could be manufactured in South Carolina for little or no more money than in China, well, it was huge news. In fact, in my 20-plus years of doing this, I have never heard of anything more important to the economy of the South. And it happened right there in South Carolina last year.

One other low cost advantage South Carolina offers to manufacturers is that it is a right-to-work state and has one of the lowest unionization rates in the U.S., ranking third-lowest at 4.5 percent.

That was obviously important to Boeing when it decided to move a 787 Dreamliner assembly plant to North Charleston in late 2008. That plant is a non-union shop and pretty soon -- the completion of the first 787 is due anytime at Boeing's S.C. facilities -- Boeing will have the enviable position of comparing the cost and the quality of building 787s in its union plant in Puget Sound, Wash. to its non-union plant in South Carolina.

There's a lot to like about South Carolina these days. The state features the following:

- 5 percent corporate income tax rate
- no state property tax
- no local income tax
- no inventory tax
- no sales tax on manufacturing equipment, industrial power or materials for a finished product
- no wholesale tax
- no unitary tax on worldwide profits

But more importantly, South Carolina has leadership akin to Carroll Campbell and Wayne Sterling in current Gov. Nikki Haley and Commerce Secretary Bobby Hitt for the first time in over 15 years. How much of our lives are lost in just waiting for something good to happen or just for something to happen, period? Well, wait no more Palmetto. South Carolina is back and it is feared again.

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