

## Recent Scorecards

Small Business and Entrepreneurship Council ranked the 50 states in its "Business Tax Index 2009: Best to Worst State Tax Systems for Entrepreneurs and Small Business" on 16 different tax measures.

Georgia ranked number 19, ahead of North Carolina at 38. Taxes are important to state's competitiveness and job creation. See article about recent legislation on page 4.

Georgia moved up in the ranks to become the 4th best state overall in which to conduct business, according to *Chief Executive* magazine.

States are evaluated on natural resources, tax policies, quality of living, infrastructure and more. The magazine said Georgia's best individual asset is workforce, ranked 3. Texas held first place overall followed by North Carolina and Florida. California, New York and Michigan were the bottom 3.

Other areas of strength:	rank
access to capital	14
business friendliness	14
transportation	15
cost of business	16
technology & innovation	16

Georgia schools rank number 8, or a B-, according to *Education Week* newspaper in its annual report card for states. *Education Week* looked at graduation rates, funding, state policies, quality of standard testing and requirements for evaluating teachers. The US average is a C. Of the southern states, Mississippi ranked the worst.

According to *Forbes* magazine's 2009 "100 Best Values in Public Colleges," *The University of Georgia* ranks 4th and *Georgia Tech* ranks 16th. First, second and third, respectively, were the *University of North Carolina at Chapel Hill*, *University of Florida* and *University of Virginia*.  
Source: *Forbes.com*.



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# an Intelligence Report



georgia,usa

Issue X  
2009

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## BioScience Industry - Eyes on Georgia in May

- Bio International Convention, May 18-21, a key event for life sciences is in Atlanta. To help attendees, Southeast BIO, a non-profit to promote the life science industry, will launch BIOtech Connect, an interactive database of more than 1,200 biotech companies and research centers in Georgia, Florida, North Carolina, South Carolina, Tennessee and Virginia. Economic downturn is likely to impact attendance numbers.
- Shaping Infinity, an annual review of Georgia's lifescience industry, will be released at the BIO Convention.

Georgia Lifescience industry:

- 62,000 jobs
- \$16 billion economic impact
- academic research generated 15,000 jobs & another \$1.3 billion

Deloitte identifies areas where Georgia leads in life sciences making Georgia one of the best places to grow innovation and technology oriented companies.

Georgia high growth areas:

1. Monoclonal Antibody Facility at the University of Georgia Vet school. There are 2 world class centers dedicated to monoclonal antibodies at UGA.
2. The Complex Carbohydrate Research Center at UGA is a nationally recognized resource with a multi-million dollar 4-year grant to advance the knowledge of complex carbohydrates in plants and microbes that interact with plants.
3. The Medical College of Georgia is involved with the study of adult stem cell for treatment of stroke, heart attack and pediatric brain injury.

Governor Perdue named BIO Governor of the Year for his leadership. He:

- launched first ever seed capital and facilities funds helping 16 start-ups over 2 years with new building and lab construction.
- allocated an average of between \$30-40 million a year to Georgia Research Alliance and Georgia Cancer Coalition.
- established in 2008 a GRA Venture Capital Fund.
- supported workforce development and career pathways for skilled workers.

### One snafu

While President Obama gives the industry a boost with the removal of the ban on embryonic stem cell research, the state sentiment may not take advantage. Georgia Republicans may try to stall federally funded stem cell research at Georgia's university labs.

## Office Market

Metro Atlanta's overall 17% office vacancy rate was basically flat from the end of last year. But it is up 1.1% compared with the same quarter last year, according to the first quarter 2009 Market Report released Thursday by Atlanta-based Colliers Spectrum Cauble, a commercial real estate brokerage firm. A full office market recovery for metro Atlanta won't begin until early 2010.

"Mostly what we're seeing is renewals, no new leasing," said Scott Amoson, director of research for Colliers.

"Companies looking to pull the trigger on new deals are waiting until the market gets into a better position. Yet, the good deals are now."

Great weekend rates to be found at Atlanta fine hotels. With certain criteria, rates are as low as \$95 a night, 20% less than traditional weekend rates.

## A Look - Forest Products Industry

Forest products industry is big in Georgia. The state is nearly two-thirds forested, and the related industries employed more than 50,000 Georgians in 2007.

Georgia timber, huge pine tree farms, is raw material for an array of products from the obvious—plywood, boards, and cardboard—to the not-so-obvious—diapers, LCD screens, and sausage casings.

Economic cycles have profound effects on the wood products industry. Its fortunes are still tied to the larger economy. Although the present and immediate future look bleak, the long-term outlook for Georgia paper and lumber production is reasonably bright, experts contend. The key for paper and paperboard makers is efficient manufacturing, which comes from using larger, more sophisticated machines that produce more than older, smaller ones. The age of the integrated behemoths that own millions of acres of trees and make everything from lumber to cardboard boxes to copier paper and labels has largely passed.

Paper and wood companies have adopted global strategies. "I think you've seen companies focus more and begun to see them diversify geographically," explains Lee Thomas, chairman and chief executive officer of Rayonier Inc., a FL.-based forest products company with Georgia facilities.

**exports make a difference**

Rayonier generates 40% of its revenues outside the US. Industry wide, exports of US paper products have climbed considerably, fueled in part by a relatively weak dollar and strong demand from emerging markets. Through November 2008, exports of wood pulp, paper and paper base stocks, newsprint, and other paper products totaled \$38.22 billion, more than the 12 months of 2007, \$37.31 billion.

That 2007 total was up 51% from 2001 and was more than double the industry's exports in 1991, according to the US Bureau of Economic Analysis. Coming out of the current recession, Thomas predicted the industry will be "more consolidated, more focused, and more global."

*data from EconSouth, Federal Reserve Bank publication*

## Agriculture and Manufacturing

**Poultry industry - export growth to China and Mexico remains steady**

Export is good news in the poultry industry. Poultry is key cash-producing industry for Georgia and domestic demand has weakened as a result in cutbacks in consumption, exacerbated by a decline in those eating in restaurants.

**March manufacturing reports optimistic**

Through March, reports from manufacturing contacts were more optimistic than they had been since the onset of the downturn. (1) Levels of production and shipments, as well as incoming new orders, increased sharply from February. (2) The number of export orders received by manufacturers reversed its downward trend and increased for the first time since last June.

A helpful gauge of regional manufacturing, Kennesaw State University's Southeast Purchasing Managers Index (PMI), increased from 40.6 in February to 43.4 in March, the highest level since August 2008. (A number above 50 indicates a growing industry sector).

*Federal Reserve Bank*

Georgia Pacific, Atlanta-based wholly owned subsidiary of Koch Industries, has approximately 300 manufacturing facilities across North America, South America and Europe, ranging from large pulp, paper and tissue operations to gypsum plants, box plants and building products complexes.

- 66% of the state is forest land (24 million acres)
- 21% owned by forest industry
- Economic Impact: \$19.7 billion annually for the state

At Rayonier's mill in Jesup, GA, employees use computerized processes to make highly refined chemical cellulose. This Marketing and Research Center is known for its performance fiber products used in impact-resistant plastics, LCD screens. etc.

Some Georgia growers are switching to corn and soybean to weather the impact of the recent salmonella outbreak. Peanut acreage in GA, is down sharply. GA is the largest US peanut producer.

## New Companies Still Choosing & Growing in Georgia

### Ritz Instrument Transformers in Hartwell

German manufacturer Ritz is building a 30,000 square foot facility creating 50 jobs with a \$3 million investment. Ritz will build medium and low voltage instrument transformers to serve clients such as Siemens and electric utilities. Hartwell is the North American corporate and sales headquarters.

### GreenTech Manufacturing brings 320 jobs to Douglas/Coffee County

An innovative manufacturing system produces stronger than steel, light weight construction products composed of 95% recycled materials. The product is an alternative to metal, wood, concrete and fiberglass. GreenTech is investing \$20 million in manufacturing and distribution facilities.

### Hi-Tek Rations expanding Dublin facilities

The dog food manufacturer acquired a 30,000 square foot building near its existing plant creating 30 jobs. Hi-Tek has operated in Dublin for 20 years.

### Big Tex Trailers creating 200 jobs in Crisp County

The Texas-based trailer manufacturer is investing \$8 million on 56 acres fronting I-75 for manufacturing and distribution. Big Tex is the US leader in utility, goose neck and horse trailer production.

### Home Depot opens new distribution center in Valdosta

The 657,000 square foot Rapid Deployment Center is on 89 acres and will serve 150 Home Depot stores in the Southeast.

### GA Wins Movie Project

Savannah will be the filming location for Miley Cyrus' Disney film, *The Last Song*. The movie will bring about 250 jobs.

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## Legislative Update

April 3rd ended the most recent session of Georgia's General Assembly.

Numerous laws targeted economic development and a desire to stimulate the economy. Efforts to totally wipe out corporate income tax stalled but cuts in long term capital gains taxes for individuals and corporations prevailed.

- House Bill 438 and 439 enhances and updates existing tax credit programs for both new and existing companies for job creation, research and training, imports and exports and a reduction in capital gains tax.
- The JOBS Act of 2009 (HB 481) provides numerous incentives for businesses such as the elimination of state inventory tax, creation of tax credits for employees hired, a temporary suspension of filing fees for new business and 50% reduction in capital gains tax.
- Education reform was also a high priority. Georgia lawmakers approved giving charter schools free access to unused system facilities and extra pay to beginning science and math teachers. They also established a program that would provide bonuses to teachers and principals based on improved student achievement.
- With Georgia's critical role in logistics and distribution hubs for business, transportation issues are key to industry. SB 200 provides for a new director of planning, appointed by the Governor, and gives the legislature a greater role in choosing which projects get priority.

The bill provides employers \$2,400 income tax credit for each unemployed person hired prior to July 1, 2010.

## Forecasts

### 2009 Growth Prospects Bleak

Rajeev Dhawan, Dtr. of Economic Forecasting Center at Georgia State University, says things will get worse before they get better. Job recovery is slated for 2011. "A sharp rise in unemployment and foreclosures, bank failures and plunge in the housing market are beating up Georgia's economy."

Dhawan sees sharp deterioration in one of Georgia's economic engines - the hospitality sector. "The recovery will begin in 2011 as stimulus programs and credit repairs undertaken by the government kick in," says Dhawan.

Georgia unemployment rose to 12% in March 2009 from March 2008.

## Workforce

### Georgia Employment Forecast

Jobs Added	2009	2010	2011
Total Jobs Added	-135,300	-15,400	53,800
Premium Jobs*	-51,900	-12,500	11,100
Proportion of Total	39%	81%	20%
Low Paying Jobs	-55,900	500	14,600
Proportion of Total	41%	n/a	27%
Personal Income Growth	0.4%	2.1%	3.8%

\*premium jobs are manufacturing, information, air transport, management, accounting, scientific, computers, finance and insurance, utilities, healthcare practitioners, wholesale trade and federal government.

### Georgians Volunteering for Peace Corps

Peace Corps representatives said 354 Georgians were placed overseas in 2008, a 31% increase. National numbers are up 16%. The poor job market seems to be driving people to consider new ways to gain real world experience.



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[www.robinson.gsu.edu](http://www.robinson.gsu.edu) for Georgia State University Economic Forecasting Center

## Capital Spending Slashed by Many

A broad range of industries are cutting expenditures. A review of recently filed 2008 annual reports shows that in Georgia the most dramatic cutbacks in the past 12 months are businesses closest to the housing bubble collapse. However, despite economic downturn, some did report an increase in capital spending. Some examples:

Capital spending is a barometer for economic health and insight into management's expectations for the future.

Company	Industry	capital spending reduction
Mohawk Industries, Inc	carpet	projecting 40% cut in '09 from '08's \$217 million
BlueLinX Holdings, Inc	bldg. product distributor	reduced \$13.1 million to \$4.9 million in '08
Home Depot, Inc*	home improvement retailer	40% to \$1.4 billion in '08
UPS, Inc	package delivery	in '08 cut \$800 million in capital spending

Company	Industry	capital spending increase
Coca-Cola, Co.	soft drink	increase from \$1.7 billion to \$1.9 billion
SunTrust Banks, Inc**	finance	\$221 million up from \$171 million in '07
Graphic Packaging	paper	almost doubled, \$183 million in '08 from \$95 million in '07

\* Georgia's largest public company

\*\* Georgia's largest bank

as reported in Atlanta Business Chronicle, March

## Collateral Consequences

As unemployment rises and discretionary income shrinks, millions fewer Americans are driving. For commuters, that means some of the worst bottlenecks in the country are easing. In Atlanta, traffic congestion has abated 36%. Americans drove 8.6 billion fewer miles in January and February than during the same months in 2008, according to the Wall Street Journal, citing the U.S. Department of Transportation. Mileage has been declining since the end of 2007. Plus, as Americans commute less, use more fuel efficient cars and take more public transportation, many gas stations have shut down, the Journal said.



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## Cities of the Future Award from fDi Magazine

This April fDi Magazine, a publication dedicated to foreign direct investment and the business of globalization, examined nearly 400 North American cities for over 6 months and named Atlanta to two winning categories. Atlanta ranked 8th in top 10 of Major Cities of the Future for 2009/2010 and 3rd in the top 5 Major Cities for Best Economic Potential. New York and Chicago beat Atlanta in the economic potential category.

Georgia's state budget is \$18.6 billion for Fiscal Year 2010, a trimmed budget without new taxes. It maintained the current reimbursement rates for Medicaid, a key goal for the legislature.



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[www.gbpi.org](http://www.gbpi.org), for info on Georgia public policy by an independent nonpartisan organization.

MEAG Power is a public generation and transmission corporation providing wholesale electricity to Georgia's public power utilities. As Georgia's third largest power supplier, MEAG Power also provides statewide economic development services to new and existing industries.

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