

The economy in 2005: More than words

Economic buzzwords will probably get you more economic buzzwords, but the reality is that we have a wildly varied economic base in the Blue Ridge Region

By Deborah Nason

Clusters, NewVa, charter initiative, R2K, RVEDP, enterprise zone are among a plethora of economic buzzwords to watch for throughout the Blue Ridge region in 2005.

In September, 2004, the Fifth Planning District Regional Alliance released an analysis of 12 significant high-wage industry clusters for the NewVa region (encompassing the counties of the Roanoke Valley, Alleghany Highlands and the New River Valley and formerly called the New Century Region, among other things). The study defines clusters as “groups of industries that have existing or potential relationships.”

So what happens next? “There are two ways to look at a cluster study,” says Wayne Strickland, secretary to the Alliance. “One, is to use it for target marketing, looking for prospects in related industries. The second, is to look at ‘How do you tie all the linkages together?’” He continues, “We should be able to do further work with the leaders in these clusters...to find out how we can



strengthen them.”

Strickland would like to see cluster associations established in the region. “It would allow us to have detailed one-on-one interviews [with industry leaders...allowing] economic developers to talk more openly and knowledgeably about issues, such as regulatory or employee development [concerns]. If we concentrate on existing industries and skills, it will make us more competitive and attractive.”

Embracing NewVa

Mike Pace wants to promote and strengthen another project commissioned by the Regional Alliance—the NewVa brand. Pace is president of the Roanoke Valley Economic Development Partnership, an economic development marketing organization funded by local governments and investors from the business community.

He wants to dispel some misunderstandings about NewVa:

“There is a false impression that regionalism means a loss of identity by the individual jurisdictions. That is not true. Every individual jurisdiction retains its autonomy, and we are then able to market ourselves as a region as a collective whole. That’s how we do successful economic development so we can compete with other regions. We offer more collectively than individually.”

“When businesses think about relocating to our area, they do not see jurisdictional boundaries. They [only] want to know: 1) do you have a trained workforce?, and 2) what incentives do you offer?” He adds, “The challenge is, people don’t know where Roanoke is—but they know where western Virginia is.”

Pace says that in the coming year, there will be a visible education campaign about the NewVa brand, with greater

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visibility through the use of ads, billboards and stickers.

The RVEDP is more than an acronym to the Alleghany Highlands; it means the potential for greater prosperity. As of December 15, Alleghany County and the City of Covington became part of the Partnership. "We're glad to have the Roanoke Valley as our partner," says Covington City Manager John Holpe. "This will get us more business and leads for new industry. We'll be given the same chance, and the same site visits" as the other localities.

Macroeconomic forces

Dan Messerschmidt, dean of Lynchburg College's School of Business and Economics, lists several macroeconomic issues to watch for in 2005:

- Decline in the dollar. "For our manufacturers, especially, exports will become cheaper to foreign purchasers. And [overseas] services will become more expensive to us. Therefore, this will make our domestic producers more competitive in both foreign and domestic markets."

- Increased oil prices. Not only will this affect manufacturers who use oil for energy, it will also reduce people's savings, which thereby has a negative effect on retail.

- Entrepreneurial start-ups. He foresees a boom in start-ups in the greater Lynchburg area, "especially in innovative wireless

technology."

- Uncertainty about the federal budget deficit. "The only ways to reduce this is either rapid economic growth or increased taxes or cutting spending." Because about two thirds of the national economy is based on consumption expenditures by households, the question is – how will any of these options affect consumers' disposable income?

- Rising interest rates. This could result in a slowdown in construction. This area could also slow because demand has already been met.

Joyce Waugh is the legislative lobbyist for the Virginia West Business Legislative Coalition, an alliance of 16 of the region's chambers of commerce, providing a unified voice to the General Assembly. What economic issues may be addressed by the legislature in 2005?

"This will be a short session," she says, "therefore, not as much will come of it. And all the members of the House are up for reelection." Nevertheless, a long-term funding solution for transportation will likely be discussed. "Air, rail, roads, ports—finding a way for that tide to rise for all forms of transportation."

Other potential issues include: unemployment compensation, "Day of Rest" law, lower food taxes, clean-up of the Chesapeake Bay, and two-term governorship. A carryover from last session is the renewal of enterprise zone legislation. "There may be less tax credits, but more grants, which would be more beneficial to small businesses,"

says Waugh.

She mentions another issue, the so-called Charter Initiative. This concept is being fervently spearheaded in Richmond by Minnis Ridenour, Senior Fellow for Resource Development for Virginia Tech.

This initiative, he says, would allow Virginia public universities "to retain and utilize self-generated funds."

"Right now, all the funds we raise, except for private gifts and research dollars, must be re-appropriated by the legislature," he explains. "[Consequently], we don't have the ability to move quickly and respond. And we're not able to plan because we don't know what level of funding to expect."

"Today there is a major funding gap compared to our peer group" including N.C. State, Penn State, Ohio State. This gap is expressed in two major areas:

- Faculty salaries. "We're in the 21st percentile; whereas the 60th percentile would be healthy."

- Numbers of faculty. Basic operating staff, or base adequacy, is well below that of Virginia Tech's national peer group.

So how does this affect the Blue Ridge Region economically? "These faculty not only teach," says Ridenour, "but they also generate contracts and research, which has economic development consequences." He says that \$1 million can have the ripple effect of creating 32 jobs (whether researchers, faculty, or technicians).

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Virginia Tech receives approximately \$258 million annually from the state, federal agencies and business and industry—“\$40 million underfunded,” he says. To reach Top 30 research university status by 2010, the university will need to take in about \$568 million per year.

“That will have a substantial economic development effect,” he says. But with the current situation, “you can’t plan and you can’t fund your plan. And this is the real future of the region.”

The Lynchburg area is paying close attention to Virginia Tech’s fortunes. “One of our major initiatives is to develop a technical/R&D center with Virginia Tech,” says Lee Cobb, Development Director for the Region 2000 (R2K) Economic Development Partnership. “We’ll be doing a lot of work with [the university] in 2005 to further gauge their interest. We’re going to be very aggressive about this.”

In other upcoming developments in his area, Cobb says, “We’ll be looking at the potential for some fairly sizeable expansions.” Greater area coordination is in the works as well. Four of the major R2K support organizations (economic development, tech council, regional commission, and workforce board) are taking “a fundamental step” to potentially all locate within one facility.

“It’s difficult for people to

understand – when they’re looking for any Region 2000 personnel – why they’re being sent to a different phone number. This move will help with staff meetings, sharing of resources, and improving public perception.”

(Deborah Nason is a contributing editor for the Business Journal. She lives in Roanoke County.)