

Georgia's Business #401

Guest: Ken Stewart

Commissioner, Georgia Department of Economic Development

Richard Warner:

Welcome I'm Richard Warner and this week on Georgia's Business the man who has perhaps more impact on whether or not a company moves here or not. Ken Stewart leads Georgia's Department of Economic Development. You might say he's the number one marketing professional in the state. The Chief Marketing Officer is kind of what I get a sense of what you do.

Ken Stewart:

That's a big part of it. We're selling state everyday, the many assets that we have.

Richard Warner:

So if somebody moves here, some big company moves here chances are very good you had, you may not have been the one that did the deal but you probably knew about it and had a hand in it.

Ken Stewart:

We have. I think almost every deal that comes to the state we have some involvement in. We're so fortunate that we have very strong partners through our local chambers and development authorities and the metro Atlanta Chamber and the Georgia Chamber and a group of companies that have come together called the Georgia Allies. And it's banks and utilities that are great partners in helping us continue to grow the state.

Richard Warner:

How does the lead come in, you know some body you know, Kia or some other company that's considering locating to Georgia. What's the first contact? Are you going out there and fishing for them or are they calling you and you're happy to take the call?

Ken Stewart:

Well really both. We are very proactive in our sales and in our marketing. We've identified a set of strategic industries that we focus on that we know are the right kind of industries to grow in our state.

Richard Warner:

Which are...

Ken Stewart:

There's a list. There's seven different ones in bio and life sciences one, logistics is another, advanced manufacturing and this is the high tech high skilled type of manufacturing I'm referring too. Another we call advanced communications is another.

Richard Warner:

Is that like Telecom?

Ken Stewart:

It would be like telecom. It would be your highly skilled workers the Samsung's of the world that are doing that type of technology. And so again it's the high skill level. Agri-forestry is another, you know, this forestry is rich in a lot of natural resources of both forestry and agriculture. And so that's a strategic industry for us. So we focus on the strategic industries for our pro-active sales but sales or leads if you will, can come in from just about anywhere. They could be calls like today. I had two calls myself. But our project managers are getting calls our chambers are getting calls, inquiries and say hey I've got a friend or even specific from companies. We're looking for a place to put a plant.

Richard Warner:

I want to know what they like and what they don't. What are you up against? I mean no matter what company you work for, no matter what agency you work for there's competition and there's people out there pitching their advantages over you. First of all what are we good at?

Ken Stewart:

Gosh, we're good at so many things. Georgia is an interesting state. Some places in states have fairly narrow set of assets that they go and sell. You'll notice during an up tick in the economy Georgia may not go quite as far up as some of the others. And when we have a down tick it doesn't go quite as far down as some of the others. And it's indicative of a balanced portfolio of assets that we have here in Georgia. If you look across our state and you say well what are we really significant in it's hard to point to any one thing, which is a good thing for us.

Richard Warner:

You don't want to front load it with one customer if you will.

Ken Stewart:

Exactly. And so we have a balanced portfolio of assets but if we go through and talk about some of the really strong ones that we have certainly the connectivity that we have for people through Hartsfield-Jackson airport is a very strong sales asset for us. Our connectivity with freight through the Savannah port... being the fastest growing in the East Coast right now.

Richard Warner:

Hence logistics being a vertical that is critical...

Ken Stewart:

Indeed, logistics and then you connect it with a rail network and the interstates, so it's a critical sales component for us. But one that I think bears lots of mention is Georgia's a rapidly growing state and it's expected to double in size in the next 30 years. I don't

remember the exact statistic but with that we're getting young highly educated people moving in to particularly into Atlanta. We had more of the 25 to 34 year old highly educated, meaning an advanced degree individuals move into Atlanta last year than any city in the country, that's a leading indicator that this is a place people want to live. And companies when they look at us they say well one of the first questions is can you put the right kind of people in my shop to work for me.

Richard Warner:

It's all about people, well...

Ken Stewart:

It's all about people...

Richard Warner:

It's also all about getting those people to your shop which comes into ok Ken what are you up against? With the New York Times today online I see a graph and it's got the ten cities with the worst traffic, we're number 2, L.A. is number 1. And I keep hearing that that's costing us. Alright, go is it costing us?

Ken Stewart:

Well you know I think any time that there's uh press that's out there that doesn't sound like an advantage it's probably going to cost us something. We've not had any direct you know denials of companies that I know of that have said we're not coming there because of that. You know the traffic that we have here really is a symbol quite frankly of rapid economic development. We've in our jobs and in our business we travel all over the world. And traffic that you find in places like Beijing or in Brussels or in Paris or in Sal Palo the traffic in any of these robust growing cities is significant. It really is. And it's a consequence a little bit of that growth. We I think from time to time tend to sell ourself into some problems even you know we do to ourself. So Atlanta is growing. We're addressing the traffic problems. I know the Governor and the Department of Transportation as well as the local community are aggressively looking for solutions to this.

Richard Warner:

You read Maria Supporter's column about the Metro Chamber which is one of your partners and the Chamber's depth of frustration about how, we've got to figure this out. It's going to take a long time as it is once we decide on a course of action, we've got to decide. Does the State take that role too, is the State involved or is that something the private sector is going to have to drive?

Ken Stewart:

Well the State, the Governor, the Department of Transportation and frankly all of us in the State government are involved in the problems as well as the solutions. So absolutely, it's a state issue when anything occurs that impedes our ability to actively be a competitor for economic development. No question about it.

Richard Warner:

The hook if you will that got you on here is you were featured in Georgia Trend this month, that's our partner and the July issue has a big article that Susan Percy wrote about China and Georgia's exposure to China. We've got an office in Shanghai. We've got a relationships in Beijing. What is the first thing that you noticed were surprised at, remembered when you went to China?

Ken Stewart:

I think my first impression was amazement at the robust growing economy that you can just palpably see that there, construction cranes up all over the place, people that are driving in cars, people that are actively engaged in business both small and large, a hunger quite frankly to be part of world commerce. It's a most impressive, Shanghai's very impressive, Beijing is impressive and even some of the smaller outlying cities...

Richard Warner:

With only 5 or 6 million people a piece...

Ken Stewart:

Yes, pretty much... We'd go to a small town somewhere and it may have more people than Georgia but in any respect there's a hunger that you see there to continue to grow and to grab a slice of life as they think that they need to, so it's an entrepreneurship that's growing there.

Richard Warner:

So you go over there and we've got an office and I know Coke has a presence and you know Delta has been working so there are relationships, how do you make that go? You know you want a piece of that too, how do you get traction?

Ken Stewart:

So much of success in China is relationship. There's even a word for that in Chinese and I'm sure I'm not going to get this exactly right, it's like Gijing. The business with the Chinese starts with relationships. It starts with trust. And I so much respect that because it harkens back to an era even that we've experienced here in the United States. Once you establish the relationship and then you find out where your opportunities are and you do it in a most congenial way quite frankly.

Richard Warner:

I was going to say mutual. It's that Asian culture that is about respect, mutual understanding. It's not slap you on the back, take you out to dinner, ok can I get you to sign this contract...

Ken Stewart:

Exactly. Exactly. So we're very fortunate that we've opened an office in Beijing. And we're in Beijing on purpose. There's a number of our competing states that have offices in Shanghai. And we went to Beijing because it's not only the center of government but it's also a center of business as well much like Shanghai. Government has a play in

business, many businesses in fact most in China. And so we're developing relationships there in Beijing that we think will be to our long term advantage in China.

Richard Warner:

You went over there with 40 Georgia CEO's that paid their own way. What did they get out of that trip?

Ken Stewart:

Well I think again part of it again gets back to relationships. And there were opportunities on this trip, most recent trip to China when we had the opening of the office to meet with companies as well as government officials in a number of places in China. Our activities didn't just focus right in Beijing. We had groups that went, part of our group went earlier, went to other cities, they focused on tourism, focused on economic development and focused on trade. And then they came back together for the office opening and then groups went back out again. So we had a delegation of about 80 from various partners that went on this particular trip. Governor Perdue met with very high ranking government officials as well as a number of CEO's in companies and number of areas in China.

Richard Warner:

It was interesting to see in Japan, I haven't been to China how they respect governors you know. I mean there was that almost intangible you can tell that they were like wow you know you cared enough to send the governor, that's significant.

Ken Stewart:

It is. It is. The governors are like ministers, they're treated with a great deal of respect. And Governor Perdue and frankly all of us were treated very well on our trips to China. We also have great partners in Korea and in Japan and really throughout all of Asia. We treat them with respect on their missions when they come here and they do the same for us.

Richard Warner:

Somebody watching this broadcast in Montezuma or Elma or something is going to say fine that's great, what does that mean to me? How does this impact the trade that you're trying to do around the world? You know how is it going to impact somebody in Cooke County?

Ken Stewart:

You know we have an integrated economy here. What goes on in one part of the state directly impacts economic activity in another part of the state. When jobs are created and money flows through the economy whether it be, in say, Valdosta for instance it's going to drive activity in other parts of the state too. Sometimes and many times in business it's not concerned about the geo political lines that are drawn whether it be a state line or a county line for sure. But we have a logistics network that's so strong here related to goods and a transportation network that's so strong for people that our connectivity in the

state of Georgia necessarily causes business to create economic relationships that's for the benefit for us state wide. So it's about generating dollars to flow through the economy.

Richard Warner:

Does it mean that you find yourself taking a backseat to those who are concerned about free trade agreements?

Ken Stewart:

No, if you're thinking economically, no. I mean the FTAA is a great example and it's on probably the back burner now...

Richard Warner:

And for those who are not familiar FTAA we were talking about this two or three years ago, we talked about that on this show because it was hot.

Ken Stewart:

Indeed...

Richard Warner:

This is free trade designation like Brussels is for Europe the thought was to pick a was this correct North American or Central American city to be that for this hemisphere?

Ken Stewart:

Well the free trade agreement or the Americas and so it would cover really all of North and Central America and South America as well. And we've had a lot of energy that went into this as you say a few years ago and then it's cooled off a little bit but it's not dead. The reality is at some point this will be enacted federally and agreed to among all of the countries and a secretariat will be located. And Georgia has been competing to be the location of that secretariat which would make it the hub of trade for all of the Americas. A thing I might mention is that the Americas competitiveness forum has been held was held last year in Atlanta and it's going to be held for the second year again in Atlanta. And this is bringing all of the representatives from countries throughout all of the Americas to come here and talk about competitiveness and a part of that competitiveness is the cost of trade you know any barriers to trade, any activities or policies or laws that we might need to pass in order to promote trade among our countries and to be more competitive frankly with the rest of the world.

Richard Warner:

What's out there about to be signed? We've got anything coming?

Ken Stewart:

Absolutely.

Richard Warner:

Always.

Ken Stewart:

Absolutely.

Richard Warner:

I drove by the Kia plant on the way to Birmingham on a business trip and I was absolutely blown away by the size of it and how much is being as you would expect the ripple effect of the lodging, the houses, and the developments and the retail and all that. The place isn't even open yet, the impact is astounding on that western part of the state.

Ken Stewart:

Well you know there's over a billion dollars that Kia spent on investment is impressive in itself but then behind that comes the next level of suppliers that are providing a lot of the parts that go into running that facility. And we're so thankful to Kia, the tier one suppliers. We had a goal of getting 25 hundred jobs in Georgia for the tier one suppliers. Now if you think about that's more than we talked about for Kia itself so it's a good indication of the ripple effect in the economy. We ended up with 26 hundred over 26 hundred jobs and about just short of 400 million dollars in investment just by the tier one suppliers. The next level of that are the tier two suppliers and as it continues to ripple through the economy. A lot of our existing businesses throughout really throughout Georgia and particularly in west Georgia are going to feel the impact of Kia. But I can't stop but not mention that about 90 percent of our economic activity still comes from companies with 50 or fewer employees.

Richard Warner:

The entrepreneurs...

Ken Stewart:

The entrepreneurs and growing and nurturing them are a critical part of keeping our state's economy healthy.

Richard Warner:

Not to put that down, I'm one of those people with you know 25 employees. I don't think in terms of what can I get out of the state. What am I missing?

Ken Stewart:

I don't think you're missing a thing. You know the state initiatives that are on going now are many of which are dedicated to existing businesses whether big or small and also to entrepreneurs. And we have an entrepreneur friendly program where we're basically teaching all of our counties how to remove barriers and red tape so it's easier to get into business. It's easier to be successful as a small business and then the governor started a program called the mentor protégé program where large companies are sponsoring small company owners or startups and helping them learn the business necessities so they can be successful. so we have a number of programs supporting big and small business.

Richard Warner:

People probably don't realize what we are recognized for or how we're positioned because they don't think of that. If you travel outside of Georgia, how are we positioned? What do people think of us when they think of us?

Ken Stewart:

You know Georgia is, I think at one time it was probably viewed as an obstacle between Ohio and Florida, but fortunately our tourism is up substantially. And so, when people think about, whether it be for business, following the Olympics, you look at Georgia and they think of an international capital... You know, great connectivity, great assets, growing business from multiple cultures around the world. A confidence that we have research capabilities and a skilled work force. We have the assets needed for them to be successful. So, I think, business side... good place to do business. From a tourist perspective, we've had a significant increase in the last few years and that's with the recognition that there are things to do here. It's not just about coming and changing planes at the airport, or driving through. This is a great place to stop. I would encourage everyone to look at a website that we're excited about called ExploreGeorgia.org. And on that, it builds out itineraries in Georgia, and it's a booking engine online. To where you can book with many of our wonderful resorts and hotels in order to plan out your itinerary while you're here in the state.

Richard Warner:

A thing just got signed into law... I was there watching the governor sign it... that you may begin to notice that, when movies roll their credits, and, in fact, might even lead to more movies being made here... 1100.

Ken Stewart:

House Bill 1100 is exciting. It was creative. And the leaders within the film industry and the entertainment industry and the digital gaming industry were all involved in this. And they basically created an incentive to get us comparable with the other states that we compete with day after day for entertainment investment. But what makes it unique for Georgia is we have a base incentive and then there's a little topper, a cap, of 10% that's added....

Richard Warner:

Okay, so, before you say what that is... Obviously, if you're making a movie, it's a lot of money's involved. You're looking for tax breaks and we used to have one of the best tax breaks in the country and then that kind of evaporated. So, the governor said, "All right, you're interested in the tax break... I want you to think outside the box before I give it to you."

Ken Stewart:

Let's even go further back than that. Let's go back to when there were no tax breaks. You had three states that were in the business: California, New York and Georgia. That's where most of the work was done. And as a result, we have a built up infrastructure to support that industry in the state now... that's, to a large extent, still here. Then incentives were begun to be put in place in Louisiana, South Carolina, and Canada all got more into

the business and so it got more and more competitive. Georgia had one in place as well for several years, and it began, it didn't move or change, it just got a little behind. So what this has done, and the governor recognized as well as the industry, is we've got to get back to parity again, where we can be head-to-head competitive, but let's do something creative...and that 10% that was added on top brands Georgia. So, it's exciting to think that, when we see films and other productions that are produced here, we're gonna see Georgia's Logo there. We're going to see that it was produced in Georgia.

Richard Warner:

And I've kind of seen what the prototype of this is going to be. So, you're watching the credits of your movie and an animated peach comes in, as in "filmed in Georgia" and my question to Bill Thompson on your staff was, "How long do you think it's going to be before there's an animated New York heart, you know. At least we're out there first.

Ken Stewart:

Well, you know, I hate to say it, but they'll be following us just one more time...ha ha.

Richard Warner:

Hey, I wanted to ask about....I know for the folks in Savannah...what's the deal with Pooler? You know Chrysler back in the day looked at a very, very desirable plot of land not far from Savannah, to build a plant, and it looked like it was going to happen and it didn't. What's going on?

Ken Stewart:

Well, we're so fortunate to have the Georgia mega-site, the Savannah mega-site. It's an asset that we have to be very careful. There are a number of times along the way that we could go and break this up into many pieces, but it's incumbent on us, for the investment that we have there that we get the best use out of that...drive the most money and jobs through our economy. And so we're being very careful. That being said, we're selling it every single day all throughout the world. Companies and site consultants throughout the world know about that site and they know it's a prime site, and they know that our position is, that when the right project comes along, it's gonna land on that site. We fine ourselves kind of in an interesting place right now...international versus domestic. Cause we've had somewhat of a downturn in the economy, here domestically...companies are looking very aggressively, but mostly it's in a, getting ready for when the economy turns to make investment or looking for a cost and efficiency type project. International companies, on the other hand, they need to put some capacity here, particularly those that are impacted by the currency difference, and they need a hedge. So it's a...we're looking for capacity from the international companies and efficiency from domestic...but there's a lot of activity occurring right now and we feel really good about it.

Richard Warner:

Not necessarily auto?

Ken Stewart:

No, it's across the board. We have a diversified portfolio and that brings a diversified set of opportunities for us.

Richard Warner:

Ken Stewart is the commissioner for Georgia's Department of Economic Development...the state's Chief Marketing Officer, and that wasn't even your background...you're grown into this.

Ken Stewart:

Heh, that's right.

Richard Warner:

Always a pleasure to have you and get an idea of what's going on behind the scenes...