

A Magnet For High-Tech GROWTH

THE SOUTH HAS BEEN VERY ATTRACTIVE TO HIGH-TECHNOLOGY COMPANIES OVER THE PAST SEVERAL YEARS, AND THESE COMPANIES ARE EXPERIENCING SIGNIFICANT SUCCESS.

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HISTORICALLY, HIGH-TECHNOLOGY companies have tended to develop and/or locate within technology clusters across the United States and internationally. Many of these location decisions

were driven not by a business strategy, but rather by the synergy and interactive relationships that developed and grew within these technology clusters. The primary driving factors for locating new high-technology companies during the 1990s were proximity to other technology companies, proximity to research universities that were spinning out new technology and new businesses, and proximity to venture capital. The cost of labor, the cost of initial investment, and the cost of operations were important — but secondary. Highly skilled and experienced labor was available within the region, and new labor in-migrated on a regular basis.

But once some of these technology clusters began to reach their limits in terms of resources and capacity, and as the cost of doing business spiraled, the successful high-technology firms began

to look outside their existing clusters for growth and expansion. They needed to find new regions with new labor markets, areas that could support accelerated research and new business development, and areas with more competitive costs for doing business. Many of these companies discovered that the South offered fertile ground and great opportunity for high-tech companies to grow and prosper.

Centers of EXCELLENCE

The southern United States has long been an incubator for high-technology companies. Locations like Austin and Dallas, Texas; Atlanta, Ga.; Research Triangle, N.C.; Orlando, Fla.; and Huntsville, Ala., were the early leaders in the growth of high-technology business within the South. While these locations are still hotbeds for development



and growth, other locations within the South are becoming highly desirable to high-tech companies. Oklahoma City, Okla.; Jackson, Miss.; Hampton Roads, Va.; Birmingham, Ala.; Tampa and Jacksonville, Fla.; Charleston, S.C.; Charlotte, N.C.; and Knoxville, Tenn., are locations that are showing up more frequently as communities for consideration. These and many other communities in the South display the inherent

characteristics that high-tech firms are seeking — and they are eager to recruit high-tech businesses.

The attributes and characteristics that are attracting high-technology firms to the South are directly tied to the business strategies and priorities of these companies. It is more important than ever that these companies make sound decisions based on markets, customers, and future growth opportunities; and it is more important than ever that these companies show early profitability and cost-effectiveness. The factors that have influenced high-tech companies the most in considering and locating into the South are as follows.

WORK FORCE AVAILABILITY and QUALITY:

The number-one factor for any business or industry conducting a site location study is labor. The ability to recruit, train, and retain a quality work force is paramount. Whether a company needs software design engineers or precision-equipment alignment specialists, labor availability and quality are critical.

The South is growing in population slightly more rapidly than the national average. Many of the South's major metropolitan areas are growing at nearly twice the average rate. This rapid expansion of the population, coupled with the influx of new high-tech companies, is adding to and helping to create a highly qualified and experienced labor force.

UNIVERSITY RELATIONSHIPS and SUPPORT:

The South is comprised of excellent public and private universities offering undergraduate and graduate programs in multiple high-technology fields. The research arms of these universities are highly aggressive and effective in working closely with existing business and industry, government, and national foundations to develop and expand new technologies.

Southern universities have invested significant resources and capital over the past several years to upgrade and expand their research and development laboratories and facilities. They have been highly effective in recruiting and contracting with private business and industry to perform custom R&D programs. And they have been very aggressive in evaluating and updating undergraduate and graduate programs.

STATE and COMMUNITY INCENTIVES:

High-technology companies are at the top of every state's and community's priority recruitment list. Attracting "clean" industry with high-paying jobs offers the best of both worlds. In order to

headquarters operations may be more interested in tiered tax credits that recognize their added value versus standard tax credits that do not.

QUALITY and LIFE:

Quality of life is typically one of the last factors evaluated during a location study. However, for high-technology companies, quality of life, including cost of living, has become one of the more important factors for consideration. The cost of living in many of the locations where high-tech firms originated has spiraled out of control. Employees in those locations are increasingly faced with high housing costs, congested highways, poor

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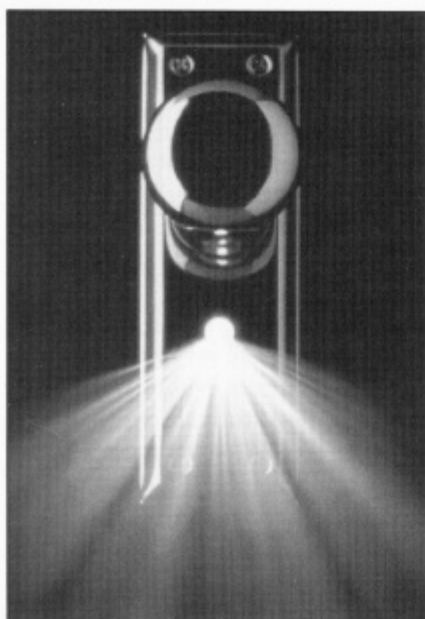
attract and retain these industries, southern states and communities are re-evaluating their existing incentive packages and tailoring them to be more attractive to high-technology companies. The key to an effective incentive strategy is flexibility — the ability to address multiple business profiles and provide incentives in a manner that best benefits different types of firms.

Southern states have been among the most aggressive and the most flexible in structuring their incentives. Many of these states offer a menu of various types of incentives that can be flexed based on individual company needs. For instance, companies with small capital investment but a larger number of jobs may be more interested in payroll tax rebates than they are in capital investment tax credits. Companies that have R&D operations or



air quality, and crowded schools.

High-technology companies are seriously concerned about the ability to recruit and retain qualified, productive, and motivated employees. The stress of traffic congestion, high prices, and loss of personal comfort can have a direct impact on productivity and efficiency. High-technology businesses looking at the South for new or expanding operations are finding significant differences



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SOUTHERN TECHNOLOGY SITES



tionally, these costs may range as much as 30 percent lower — or more. Similarly, facilities can typically be constructed in less time in the South (because of milder weather), leading to additional savings for the company and enabling the firm to accelerate its schedule if desired.

TAXES:

The cost of equipment for high-technology companies does

The southern states have some of the lowest construction costs in the nation.

between their existing locations and potential new locations. Commuting distances are much shorter, housing costs are much lower, and there are multiple amenities to address employees' personal leisure-time preferences.

INVESTMENT COSTS:

The southern states are recognized for having some of the lowest construction costs in the nation. The cost of construction labor, an increased number of construction workdays, and the price of construction materials typically lead to a construction cost index that may range from 5 to 15 percent lower than the national average. When compared to some of the larger metropolitan areas in other parts of the United States and interna-

not vary significantly across the United States; however, the property tax rates applied against the book value of the equipment can have a significant recurring-cost impact. Property taxes in the South are typically below the average property taxes rates in the rest of the nation, and, in many instances, can be as much as 50 percent lower.

Just as important as the property tax rates are the depreciation schedules authorized by the property tax assessors. The South has been very aggressive in adopting accelerated depreciation schedules in various parts of the region. In many cases, it is simply a matter of inquiry to have the depreciation schedules adjusted to reflect the life cycle

and usefulness of the property, and to more accurately reflect cost benefit to the company.

Corporate income tax rates in the South vary significantly; however, there are many states where the net effective tax rate is less than 3 percent based on the company characteristics and the apportionment factors. These low tax rates, along with the incentive packages previously mentioned, provide significant savings.

Payroll taxes also vary significantly across the South. But, as in the case of corporate income taxes, there are several states within the region that have significantly lower workers' compensation rates. Since these rates are applied against 100 percent of payroll, and since high-technology companies typically pay higher than average wages, these payroll taxes can represent significant cost benefits – or penalties, as the case may be.

Present and **FUTURE**

From the availability of a quality work force to low investment costs, from a high quality of life to low taxes, high-technology firms are finding the South a desirable place to locate — and a great place to grow and to be profitable. The aggressiveness of southern states and communities is evident as companies consider their alternatives. It is not surprising that more and more high-technology companies are coming to the conclusion that the South offers tremendous benefits, both today and in the future. ●

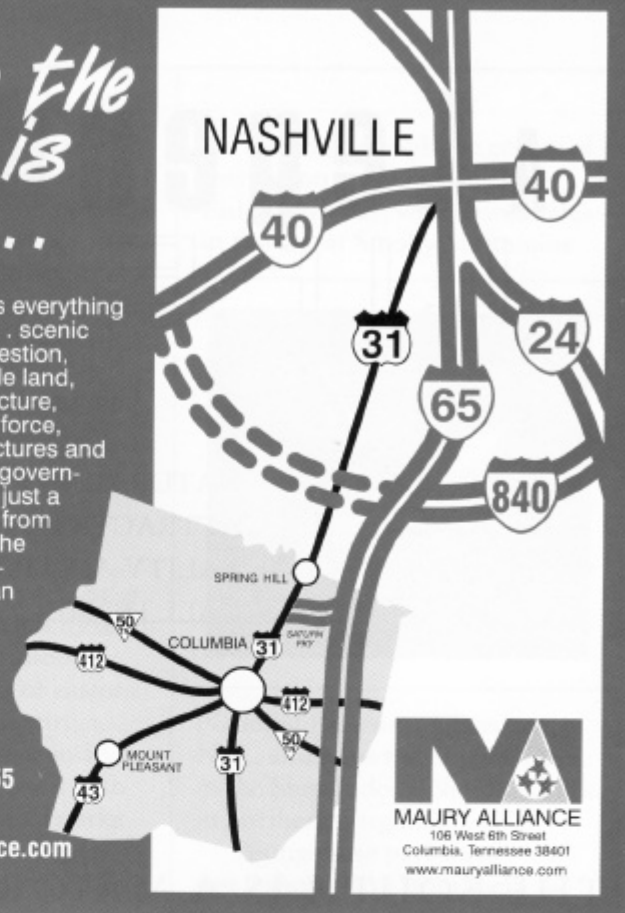
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