

An aerial photograph of a large-scale industrial construction project. The main structure is a multi-story building with a complex steel framework. A tall red tower crane is positioned to the right, and another crane is visible on the left. An American flag flies on a tall pole in the background. The site is surrounded by dirt roads and some greenery. The sky is clear and blue.

Grayway

# A SOUTHERN BOOM

*Why Big Business and Industry are Heading South*

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A quiet phenomenon has been taking place over the past few years that has many in our industry intrigued. Why is it that so many companies are choosing the South for new project investments and expansions?

This issue of the *GrayWay* explores this question, providing insight from economic development officials and corporate decision makers who have chosen the South as home to their manufacturing facilities and distribution centers. From its innate qualities like land availability and large labor pools to the aggressive recruitment efforts of southern state governments, it seems the South is offering just the right ingredients to entice business and industry its way time and time again. On the cover is just one industry leader who has recently chosen a southern location—Siemens Energy, Inc. whose new 450,000 square-foot gas turbine plant is under construction in Charlotte, N.C. In the following pages, you'll find more examples of companies like Siemens that have chosen southern locations, and learn why many believe this trend is taking place.

A handwritten signature in black ink that reads "Phil Seale".

Phil Seale  
Senior Vice President, Manufacturing Market  
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On the Cover:

This Siemens Energy gas turbine manufacturing plant, under construction in Charlotte, N.C., boasts the largest total crane capacity of any new construction project currently underway in the U.S.

SOUTHERN BOOM



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# IT'S THE SIMPLE THINGS...

Labor, Land, and Location Fueling Migration of Business/Industry to the South

A great southern migration has been taking place over the past two decades, especially in the world of manufacturing. Companies across the globe are clearly taking advantage of the South's enticing business landscape, and the trend seems to be increasing.

## Southern Boom.



“... the southern states have a lot of real estate and infrastructure capability.”

Mike Mullis  
Owner and President  
J.M. Mullis, Inc.

**From Texas to Tennessee to the Carolinas,** southern states have been increasingly successful in attracting top-tier manufacturers, distributors and other corporations, creating jobs and fueling southern economies. According to the Census Bureau, non-residential construction spending has been on the rise in the South since the early '90s, and the gap between the South and the rest of the nation is widening. In 2009, \$31.2 billion was spent on manufacturing construction projects in the South, compared to \$15 billion in the Midwest, \$7.2 billion in the West and \$4.5 billion in the Northeast.

While it's tempting to immediately credit economic development efforts and state government incentive programs, there are other more simple explanations for why the South is luring so many—the first of which revolves around the migration of America's population to the South.



Doug Berry

“In the late '50s and early '60s, people started migrating from the Midwest and the Northeast back down to the South for the quality of life, and also to get back to their traditional family roots,” said Doug Berry, vice president of economic development, Cleveland-Bradley (Tennessee) Chamber of Commerce. “That began forcing manufacturers to look at labor pools and shift close to market and transportation, causing an increase (in the migration of business and industry to the south). To me, that's pretty much the reason why the South has reemerged.”

The 2010 Census supports Berry's assessment. From 2000 to 2010, the South led the nation in population growth with a 14.3 percent increase, and the West was not far behind with a 13.8 percent increase. But the Midwest and the Northeast grew by much smaller margins—just 3.9 percent and 3.2 percent respectively. North Carolina moved up one spot to the tenth most populous state, replacing New Jersey, which fell from ninth in 2000 to eleventh in 2010.



Mike Mullis

Beyond the large labor pool, the availability of land and real estate in the South provides another good reason for business and industry to locate there. Mike Mullis is the owner and president of J.M. Mullis, Inc., which provides project location and expansion services to companies across the globe. In this capacity, Mullis has helped hundreds of companies in their quest to find just the right location for new plant construction and expansion. For them, location is key.

“If you take the New England states and the Middle Atlantic states for example, those states, to a significant part, do not have the real estate—being large sites and infrastructure—to service major projects,” explained Mullis. “It goes back many, many years to the growth of those regions from a residential standpoint, a commercial standpoint, and/or the vacancy of facilities that have been left. Whereas the southern states have a lot of real estate and infrastructure capability.”

## GRAY... WE'RE BUILDING

Caterpillar, Inc.  
Winston-Salem, N.C.

Construction is well underway on Caterpillar Inc.'s new 850,000 square-foot manufacturing facility, located in Winston-Salem, North Carolina. Gray Construction was selected by Caterpillar in the fall of 2010 to oversee the design and construction of the sprawling plant, which will include over 100 cranes and is expected to employ nearly 400 full-time and over 100 contract workers. What's more, Gray is largely utilizing North Carolina-based companies to build the plant, creating even more jobs for the state.

The facility will be used for the machining, assembly, testing and painting of axle assemblies for large mining trucks. Upon completion, Gray and Caterpillar will seek LEED® certification for the state-of-the-art facility.

Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines.



Caterpillar, Inc. / Winston-Salem, N.C.



The 102-acre Caterpillar site in Winston-Salem went from groundbreaking to erecting structural steel and pre-cast panels in just four months.

Southern locations tend to also have wide access to markets, supply, and transportation outlets—a highly sought-after characteristic for businesses looking for quick product-to-market cycles. The South features numerous ports, railways, interstates and airports, many of which intersect or are located near one another.

“I think that North Carolina has always had a bit of a competitive advantage because of its geographical location,” said Bob Leak, president of Winston-Salem Business, Inc., an economic development organization that promotes the Winston-Salem area. “And the companies that mostly locate here are doing so because of the access to the market or access to supply.”

While these simple explanations are significant to those choosing to locate in the South, make no mistake, the aggressive and intelligent efforts of state governments and economic development officials have been vital to the growth of business and industry in the South.

“Let’s just say the southeastern states continue to do a really good job at industry recruitment and retention,” said Mullis. “They are ready to step up within their capability to do what they need to do to bring jobs.”



Austal USA MMF  
Phase two/Mobile, Alabama

# SEALING THE DEAL

## Aggressive Recruitment Efforts Paying Off in the South



Austal's Joint High Speed Vessel is manufactured for the U.S. Navy at the Mobile, Alabama facility.

**There is no question the South naturally possesses qualities** that are important to business and industry—lots of available land and real estate, large labor pools, wide and varied transportation outlets supported by sound infrastructures. But businesses can't survive on these alone, especially given the instability of the U.S. economy today.

Complementing the South's large labor pool is its low cost of labor and increasing workforce development opportunities. According to the Bureau of Labor Statistics, the median hourly wage across all occupations in Alabama, for example, was \$14.26 in 2010, while Connecticut's was \$19.56—a significant difference indeed.

Some might assume a lower wage translates to a less skilled workforce, but southern states are wisely investing in vocational and technical training programs, and southern colleges and universities are rising in the national rankings each year according to *U.S. News and World Report's* Best Colleges of 2011.

A good example is Alabama, which boasts an educational and job-training institution that is part of the Alabama Community College System called AIDT (Alabama Industrial Development and Training). Pre-employment and on-the-job training services are offered by AIDT—at no cost—to new and expanding businesses throughout the state.



Troy Wayman

"We have the best, and that's not just my opinion," said Troy Wayman, Mobile Area Chamber of Commerce's vice president of economic development. "AIDT is part of the two-year college system... and I would say, when it's all said and done, it's our strongest incentive."

If you need more proof, just ask one of AIDT's beneficiaries—Austal USA. Australian-based Austal is the world's leading manufacturer of aluminum commercial and defense vessels and has a modular manufacturing facility in Mobile. Joe Rella, the company's president and chief operating officer, has nothing but praise for AIDT and says the program functions as the primary training arm for Austal.

"There's a maritime training center built adjacent to our property to support the trade skills and development that we need," said Rella of how AIDT customizes training just for Austal. "In collaboration with AIDT, Austal has developed a curriculum that uniquely qualifies our pre-hire trainees with the necessary skills to be our future shipbuilders. AIDT and Austal instructors work together to ensure that this program



Joe Rella

## GRAY MATTER

### Southern Business Environment Rich with Opportunity

**Choosing a site for a new construction project is no simple task**—we know that first-hand. Finding just the right business environment for a new location is critical to the success of that business. You need the right amount of land, a large labor pool with the right skills, access to your market and supply, and a reasonable cost of doing business—among other things—to successfully operate a new business. And, it seems the South's rich business environment is offering all of these things, and more.

How do we know that? A glimpse of our customer list paints a vivid picture of the migration of business and industry to the South. Out of the 30 current projects underway at Gray, 28 are located in the South. Industry leaders like Caterpillar, JBS, Mitsubishi, Siemens, Volkswagen and Whirlpool have all chosen southern locations over the past few years, and almost every project we have bid over the past six months has been in the South.

Our company has been building across the United States for some 51 years. In this time, we have learned that each region of our great nation—North, South, East and West—possesses its own special qualities and unique characteristics that create just the right environment for successful business locations. And no matter where our customers choose to locate, we will be there to help them optimize their plants and buildings for a long-term return-on-investment.



Stephen Gray  
President and Chief Executive Officer

Stephen Gray



remains current and complete through continual revision and modification as our needs change. The maritime training center that is here is a 60,000 square-foot building and we have 40,000 square feet of that building for our exclusive use. To me, AIDT is the tie-breaker when it comes to which state you want to locate your business.”

If the labor pool is not ready to take on specialized jobs, like Alabama, many other southern states are developing their own customized workforce development programs to ensure new businesses have the skilled workforce they need to succeed.



Richard Voorberg is director of project management for Siemens Energy, Inc. and was heavily involved in the negotiations with the state of North Carolina for the Siemens location in Charlotte. While the area's large labor pool was a draw, Voorberg noticed the lack of skilled labor available to successfully fill jobs at the new plant. That's when the state stepped in with a customized workforce development program just for Siemens.

Richard Voorberg

“The local community college system is working directly with us to help us scout the people to sift through the number of resumés that we get to test those individuals so that by the time they get to see a Siemens person, they've passed three or four tests,” said Voorberg. “We can see what their skill level is early on so we don't waste a lot of time interviewing candidates that don't have the basic knowledge that we need.”

Workforce development is just one piece of a much larger economic development pie. Customized incentive packages, geared specifically to the needs of individual businesses, are at the heart of many recruitment efforts by state governments and economic development organizations in the South.

“If I'm going to give free water line extensions to everybody, and your building already has a water line—that's not an incentive,” explained Bob Leak, president of Winston-Salem Business, Inc. “But, if you need 100 trained people delivered to your doorstep the day you open for business, if we provide that, then it becomes an incentive. Providing meaningful incentives that are tailored to the needs of the deal is something this state has done very well.”



Bob Leak

## SHADES OF GRAY

### RICH WITH TRADITION

One-Hundred-Year-Old Manufacturing Industry Lays Foundation for Continuous Growth in Cleveland/Bradley County, Tennessee

**When you think of Tennessee, ten-gallon hats, acoustic guitars, and the Grand Ole Opry may be the first images that pop into your mind.** But Tennessee is much more than home to the Music City. Nestled along the Hiwassee River just 30 miles from Chattanooga is the bustling town of Cleveland, a mid-sized community that is arguably one of the state's most successful business locations.

It all began in the early 1900s when entrepreneurs found the little town appealing and began opening new business enterprises—the most notable being the Dixie Foundry Company, a cast-iron cookware manufacturer. The company grew along with its product line and eventually merged with Maytag. The company changed hands again in 2006 when Whirlpool Corporation purchased Maytag. Whirlpool now employs some 1,500 people at the Cleveland plant and is continuing its investment in the area. A new one-million-square-foot manufacturing facility is currently under construction to replace the existing plant. When complete, more than 100 new jobs will be added to the company's existing workforce.

"We now have almost a 100-year history of stove manufacturing," said Doug Berry, vice president of economic development for the Cleveland/Bradley Chamber of Commerce. "And that, in itself, has created a strong manufacturing workforce... I think we've been able to maintain momentum because of the quality of these workers and their productivity."

Which is precisely why Whirlpool stayed put when the decision to build a new site in Cleveland was made.



Don Vitek

"We certainly looked at other options, but as you can imagine when you have a very good workforce and you consider the impact of picking that up and moving it a state or two away, it became a more compelling business case to remain in Cleveland," said Don Vitek, director of global real estate and program management for Whirlpool.

Whirlpool is just one of 12 Fortune 500 companies to call Cleveland home. Manufacturing giants like Procter & Gamble, Mars Chocolate and the Coca-Cola Bottling Company don a prestigious list of companies that have chosen to locate



Among the premium cooking products made at Whirlpool Corporation's Cleveland, TN plant is this KitchenAid Double-Oven Freestanding Range.

in the area. Coming soon is Wacker Chemie AG, a German-based polysilicon manufacturer whose new plant in Bradley County comes with an estimated \$1 billion capital investment, and will employ some 500 people. Several other companies are currently undergoing expansions, including Amazon.com's massive one-million-square-foot fulfillment center, carrying a \$48.1 million investment.

"If you look at the record of Tennessee in the past three or four years—not only with Whirlpool, but with companies like Volkswagen and Wacker and some of the other ones in and around Chattanooga that have recently been landed—for the size of the area, that is an inordinate amount of new investment," said Vitek.

And if you ask Doug Berry, like a true southern gentleman, he will humbly explain why Cleveland/Bradley County, Tennessee has such widespread appeal.

"I have family ties all the way back to 1808 in East Tennessee," began Berry. "This region is a precious place with a rich tradition of self reliance and hard work at the core of the culture which, more often than not, translates to a dedicated and loyal workforce for those companies choosing to locate here."



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