

ADVISORY COUNCIL ON THE VIRGINIA ECONOMY

CODE OF VIRGINIA, 1950

CHAPTER 9.

Sec. 10-127. Advisory Council on the Virginia Economy.---There shall be a council to be called the Advisory Council on the Virginia Economy which shall consist of forty-five members from the State at large appointed by the Governor and representing Agriculture, Industry and Commerce. Appointments shall be made by the Governor for terms of three years except for the first appointees which shall be as follows: Fifteen for a term of one year, fifteen for a term of two years, and fifteen for a term of three years. Vacancies occurring on the Council shall be filled by appointments by the Governor for the unexpired term and at the expiration of the terms, appointments will be made by the Governor for three year terms. In addition the following state departments, Commissions and bureaus shall be represented on the Council by their executive officers: Agriculture and Immigration, Conservation and Development, Education, Health, Highways, Labor and Industry, and Unemployment Compensation. The Governor shall designate a chairman and a vice-chairman for the Council to serve during his term of office. (R.P. 1948, Sec. 10-127.)

Sec. 10-128. Officers; rules for organization.---The members of the Council may make rules for their own organization. The Division of Planning and Economic Development in the Department of Conservation and Development shall serve as Secretariat to the Council. (R.P. 1948, Sec. 10-128.)

Sec. 10-129. Expenses and compensation.---The members of the Council shall receive no salaries, but shall be paid for the necessary expenses incurred in the performance of their duties. (R.P. 1948, Sec. 10-129.)

Sec. 10-130. Clerical and secretarial facilities; stationery and supplies; printing.---The Division of Planning and Economic Development shall serve the Council as its Secretariat or central administrative office and subject to the approval of the Director of Conservation and Development shall furnish the Council with the necessary stationery and supplies and shall have done for the Council such printing as may be necessary. (R.P. 1948, Sec. 10-130.)

Sec. 10-131. Powers and duties of the Council.---The Council shall act in a capacity advisory to the Governor and the Director of Conservation and Development upon matters relating to the Virginia economy. When requested by the Governor or the Director, the Council shall investigate and consider such questions and problems, so relating as may be submitted, and shall report its findings and conclusions. The Council may also make recommendations to the Governor and the Director upon its own initiative. The Council shall also endeavor to encourage research designed to further new and more extensive use of the resources of the Commonwealth, to review and initiate specific proposals, to place such proposals effectively in the hands of groups and organizations, State and local, to encourage and stimulate local governing bodies and private business initiative, and generally to arouse public interest in the economic resources of the Commonwealth. (R.P. 1948, Sec. 10-131.)

Sec. 10-132. Reports and recommendations.---All reports and recommendations made by the Council shall be made to the Governor and the Director of Conservation and Development, and copies shall be sent to each of them. (R.P. 1948, Sec. 10-132.)

June 26, 1959

ADVISORY COUNCIL ON THE VIRGINIA ECONOMY

Officers

Walter I. Dolbeare, Chairman
Vice President
Virginia Electric and Power Company
Richmond, Va.

C. M. Nicholson, Jr., Executive Secretary
Commissioner
Division of Industrial Development
State Office Bldg., Richmond, Va.

Hon. John H. Temple, Vice-Chairman
801 Bollingbrook St.
Petersburg, Va.

Edwin E. Holm, Jr., Assistant Secretary
State Office Building
Richmond, Va.

Executive Committee

Charles C. Abbott, Dean, Graduate School of Business Admin., University of Va.,
Charlottesville, Va.

Robert H. Hughes, President Clinchfield Coal Company, Dante, Va.

Edwin S. Hyde, President, Miller & Rhoads, Inc., Sixth & Broad Sts., Richmond, Va.

George W. Jennings, State Chamber of Commerce, 111 North Fifth St., Richmond, Va.

Harry M. Love, Dept. of Agricultural Economics, V.P.I., Blacksburg, Va.

Lloyd U. Moland, Jr., Moland Company, Inc., Newport News, Va.

J. R. Orgain, Jr., Alberta, Va.

H. Marston Smith, Warsaw, Va.

L. E. Ward, Jr., Industrial & Agricultural Manager, Norfolk & Western Railroad, Roanoke, Va.

Members

William A. Alexander, Rocky Mount, Va.

Harold I. Baumes, League of Virginia Municipalities, 905 Travelers Bldg., Richmond, Va.

Joseph E. Blackburn, 709 Krise Bldg., Lynchburg, Va.

H. Gay Blalock, Baskerville, Va.

J. Malcolm Bridges, Exec. Sec., Richmond Chamber of Commerce, 15 N. 6th St., Richmond, Va.

W. Horatio Brown, Austinville, Va.

L. W. T. Bulifant, Colonial Heights, Va.

C. W. Cleaton, South Hill, Va.

Hale Collins, Covington, Va.

Byron H. Cooper, Professor of Geology, V.P.I., Blacksburg, Va.

Alan S. Donnahoe, Vice-Pres., Richmond Newspapers, Inc., 110 No. 4th St., Richmond, Va.

Robert V. H. Duncan, 322 S. Washington St., Alexandria, Va.

John R. Everett, President, Hollins College, Hollins College, Va.

Virgil R. Goode, Travelers Bldg., Richmond, Va.

Harry B. Gordon, 211 - 5th St., N.E., Charlottesville, Va.

Carlisle H. Humsline, Duke of Gloucester St., Williamsburg, Va.

J. Fenton Jones, Accomac, Va.

Caldwell C. Kendrick, 1427 N. Courthouse Road, Arlington, Va.

L. H. Kernodle, Hawthorne Drive, Danville, Va.

Erick Larson, Highland Springs, Va.

M. M. Long, Jr., St. Paul, Va.

George M. Modlin, President, University of Richmond, Richmond, Va.

Channing H. Moon, Warminster, Va.

Harry O. Nichols, President, Southern Bank of Norfolk, Granby St., Norfolk, Va.

Sture G. Olsson, West Point, Va.

Miss Anne Dobie Peebles, Carson, Va.

Page No. 2 - Members (Cont'd.)

J. Edward Shank, Salem, Va.
John B. Spiera, Jr., Radford, Va.
Dan C. Stickley, Chamber of Commerce, Harrisonburg, Va.
J. Frank Speight, Jr., 3604 Carolina Avenue, Richmond, Va.
John W. Williams, Charlottesville, Va.
Richard L. Woodward, Jr., 628 Riverview Drive, Suffolk, Va.
H. N. Young, Director, Va. Agricultural Experiment Station, Blacksburg, Va.
William L. Zimmer, III, Mutual Building, Richmond, Va.

Ex-Officio Members

Edmond M. Boggs, Commissioner, Dept. of Labor & Industry, State Office Bldg., Richmond, Va.
Parke C. Brinkley, Commissioner, Dept. of Agriculture & Immigration, State Office Bldg.,
Richmond, Va.
Adm. D. H. Clark, Va. State Ports Authority, 254 Granby St., Norfolk, Va.
S. D. May, Commissioner, State Highway Dept., 1225 E. Broad St., Richmond, Va.
Raymond V. Long, Director, Dept. of Conservation & Development, State Office Bldg., Richmond
Davis Y. Paschall, Supt. of Public Instruction, State Office Bldg., Richmond, Va.
John Q. Rhodes, Jr., Commissioner, Unemployment Compensation Commission, Richmond, Va.
Mack I. Shanholtz, Health Commissioner, Blanton Bldg., Richmond, Va.

Powell

**Report of the
COMMISSION TO STUDY INDUSTRIAL DEVELOPMENT
IN VIRGINIA**

**To
THE GOVERNOR
and
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 10

COMMONWEALTH OF VIRGINIA
Division of Purchase and Printing
Richmond
1957

TABLE OF CONTENTS

Page

Senate Joint Resolution 24, 1956 Acts of the General Assembly's
Regular Session

2. A Summary of General Recommendations and Findings

11. State of Report

A. Introduction

REPORT OF THE COMMISSION

TO STUDY INDUSTRIAL DEVELOPMENT IN VIRGINIA

TO THE HONORABLE THOMAS B. STANLEY, *Governor of Virginia*

and

MEMBERS OF THE HOUSE OF DELEGATES AND SENATE OF VIRGINIA

MEMBERS OF THE COMMISSION

CHARLES C. ABBOTT, Charlottesville LOUIS C. PURDEY, Newport News

ALFRED C. CROWE, Arlington JAMES W. ROBERTS, Norfolk

DAVID DONOVAN, Berryville CLARK SPELLMAN, Richmond

FRANK ERNST, Petersburg EUGENE B. SYDNOR, JR., Richmond

WALTER GRANT, Danville L. E. WARD, Roanoke

ROBERT H. HUGHES, Dante SOL WEINBERG, Charlottesville

J. HARVIE WILKINSON, JR., Richmond

November, 1957

TABLE OF CONTENTS

	Page
Senate Joint Resolution 24, 1956 Acts of the General Assembly's Regular Session	8
I. A Summary of General Recommendations and Findings	11
II. Body of Report	17
A. Introduction	17
B. What Is Industrial Development?	21
C. Recommendations on the Department of Conservation and Development	25
D. The Office of the Governor and Industrial Development	37
E. Close Cooperation Between Government and Private organ- ization Programs	39
F. Industrial Development Activities of Private Firms, Indi- viduals, and Non-Governmental Agencies	41
G. Adequacy of Present Financing for Industrial Development in Virginia	45
H. Taxes and Industrial Development	51
I. Education and Industrial Development	59
J. Utilization of The Elko Tract	63
III. Exhibits	65
1. Percentage Distribution of Income by Origin in the Forty- Eight States — Econometric Institute	65
2. Fight for New Industry Likely to Grow Hotter	66
3. Division of Planning and Economic Development	68
4. Summary of Functions and Appropriations of Planning and Economic Agencies of All States	71
5. Summary of Appropriations for Operating Expenditures Department of Conservation and Development, 1952 to 1960	74
6. Organization Chart of Present Department of Conservation and Development and of Proposed Department of Economic Development	76
7. Report on Visits by Commission's Subcommittee to Other States	78

TABLE OF CONTENTS (Continued)

	Page
8. Comparison of Virginia's Budget Requests for Conservation and Development Purposes with those of Six States Visited....	84
9. a) List of Virginia Counties Receiving Greater Revenues from State and Federal Grants than Local Sources, 1956	86
b) List of Virginia Counties that Lost Population, 1930-50	86
10. Division of Planning and Economic Development—Appropriations, Request, and Board Recommendations, 1956-1960	87
11. Report on the Division of Water Resources	91
12. Topographic Mapping of Virginia Nears End	93
13. Summary of Operating Expenses, Department of Conservation and Development 1952-1960, and Recommendations of This Commission	94
14. Virginia State Chamber of Commerce Activities in Industrial Development	96
15. The Local Chambers of Commerce and Industrial Development	99
16. Localities Organize for Industry	102
17. The Activities of Railroads Serving Virginia in Industrial Development	112
18. Electric Power Company Area Development Programs in the Virginias	119
19. How DuPont Picks 'Em	128
20. Statewide Industrial Development Credit Corporations	131
21. Industrial Development Credit Corporations	138
22. Federal Program to Aid Financially Small Business, Present Program and Proposals	141
23. Schools Can Aid Industrial Development	143
24. Virginia's Corporate Income Tax Allocation Formula	148
25. Virginia's Tax Rate on Corporate Income Tax Double the Forty-Eight State Average	149
26. North Carolina's Number One Salesman	150

The original me
ment in Virginia w
Stanley in accordan
enacted at the regula
included Mr. Carlyle
resign, this vacancy l
Sydnor was elected C

This report cons
of the general recom

Part II includes
detail the findings an

Finally, Part II
trating the point disc

ued)

	Page
s for Conservation x States Visited....	84
Greater Revenues Sources, 1956	86
Population, 1930-50	86
Development—Appro- priations, 1956-1960	87
.....	91
and	93
ment of Conserva- tion Recommendations of	94
Activities in Indus- trial Develop-	96
.....	99
.....	102
Virginia in Industrial	112
ment Programs in	119
.....	128
Corporations	131
ns	138
Business, Present	141
.....	143
n Formula	148
e Tax Double the	149
.....	150

PREFACE

The original members of the Commission to Study Industrial Development in Virginia were appointed in July, 1956 by Governor Thomas B. Stanley in accordance with the provisions of Senate Joint Resolution 24 enacted at the regular session of the Legislature in 1956. These members included Mr. Carlyle Boguess of Springfield who later found it necessary to resign, this vacancy being filled by the appointment of Mr. Crowe. Senator Sydnor was elected Chairman at the organization meeting.

This report consists of three parts. Part I covers a condensed summary of the general recommendations of the Commission.

Part II includes the body of our report giving in considerably more detail the findings and conclusions summarized in Part I.

Finally, Part III includes twenty-six exhibits explaining and illustrating the point discussed in the body of the report, Part II.

SENATE JOINT RESOLUTION NO. 24

Creating a Commission to study industrial development

Enacted by the 1956 Regular Session of the General Assembly:

Whereas, a properly balanced program of industrial development would be of benefit to all citizens of the State; now, therefore, be it

Resolved by the Senate, the House of Delegates concurring, that there is hereby created a Commission to be known as the Industrial Development Study Commission. The Commission shall consist of not less than twelve or more than eighteen members appointed by the Governor and appointments may be made from the membership of the General Assembly. Members of the Commission shall be reimbursed their expenses incurred in the performance of their duties but shall be paid no other compensation. The Division of Planning and Economic Development shall provide such secretarial and other service to the Commission as it may reasonably require.

Appointments to the Commission shall be made from persons who have been successful in the fields of commerce, business and industry and related callings and professions. The members of the Commission shall be citizens of the State, selected without regard to political affiliation, and all appointments shall be of such nature as to aid the work of the Commission and to inspire the highest degree of cooperation and confidence in the performance of the duties with which it is charged. Appointments to the Commission shall give due representation to, but shall not be limited to, the fields of banking, retailing, wholesaling, transportation including railroads, truck lines and other forms of public carriers, manufacturing, public service companies, and corporations, associations and organizations interested and engaged in promoting the industrial development of the State.

The Commission shall have the following duties:

(a) Consideration of the present programs under the guidance of the Department of Conservation and Development for the industrial development of the State.

(b) Consideration of the general, non-confidential programs of private groups, trade organizations and business firms for industrial development in the State.

(c) Consideration of the tax programs of the State and its political subdivisions as these may affect industrial development.

(d) Consideration of all programs and policies of the State and its political subdivisions as they relate to and affect industrial development.

(e) Consideration of how the office of the Governor might best assist in facilitating the industrial development of the State and further the work of the Commission.

(f) Consideration of methods for coordinating State, local and private programs for industrial development and for providing a clearinghouse for information or activities relating to industrial development in the State.

(g) Consideration of such other matters as the Commission deems appropriate to facilitate an orderly industrial development of the State.

The Commission shall on or before November one, nineteen hundred fifty-seven make a report to the Governor and General Assembly as to the

results of its consideration in its report recommending ways to improve the economic development.

There is hereby appropriated for the General Assembly for the year 1957, five hundred dollars.

NO. 24

development

General Assembly:
Industrial development would
before, be it

concurring, that there
Industrial Development
of not less than twelve
Governor and appoint-
General Assembly. Mem-
expenses incurred in
to other compensation.
ent shall provide such
as it may reasonably

from persons who have
and industry and re-
e Commission shall be
olitical affiliation, and
the work of the Com-
ation and confidence in-
ged. Appointments to
ut shall not be limited
ansportation including
rriers, manufacturing,
ions and organizations
al development of the

s:
under the guidance of
for the industrial de-

ial programs of private
industrial development

State and its political
ment.

es of the State and its
ustrial development.

ernor might best assist
e and further the work

State, local and private
viding a clearinghouse
velopment in the State.

he Commission deems
opment of the State.

one, nineteen hundred
ral Assembly as to the

results of its consideration of the matters set forth herein and shall include in its report recommendations as to what action the State might take to improve the economic well-being of the State through orderly industrial development.

There is hereby appropriated out of the contingent fund of the General Assembly for the purposes set forth hereinabove, the sum of ten thousand dollars.

SUMMARY OF GENERAL RECOMMENDATIONS AND FINDINGS

The Commission to Study Industrial Development in Virginia believes that an effective and aggressive program in this field is essential for the healthy progress and economic well-being of the whole state. Virginia has provided in recent years greater opportunities for satisfactory employment for its citizens largely through two means: expansion of our industries and the rapid growth of federal government payrolls; today the salaries of United States government employees constitute the largest single source of income in Virginia. This unhealthy dependence on government employment can only be balanced soundly by encouragement of new and existing industrial enterprises within the state in order to give additional private employment that will match and eventually exceed the opportunities provided by government.

Our recommendations for a more effective industrial development program for Virginia in the future are not based merely upon a desire for industrial expansion per se, but rather upon our sincere conviction that a better balanced economy for the whole state will be most beneficial to all our citizens. Over the past thirty years our longtime reliance upon agriculture has gradually changed to a sounder relationship among our principal sources of income, and indeed within the various phases of agriculture itself, but increasing employment in manufacturing in the future is the most feasible way to assure that Virginians eventually will have income per capita in line with that of the country as a whole. This is particularly true when we consider that each new industrial job usually results indirectly in the need for several more positions in service and supporting trades. In 1956, however, Virginia's per capita income was still 15% below the national average, though our deficit had been considerably reduced during the last thirty years, when our industry as well as government payrolls expanded.

While the state's economy as a whole is now in much sounder condition than thirty years ago, this progress has not helped all sections and communities equally. Many counties and areas that are still predominantly dependent upon agriculture are finding it impossible to provide necessary services for their people without substantial federal and state grants in aid. Actually, last year 80 of the 98 counties in Virginia received larger revenues from state and federal grants than from their own taxpayers. Even more disturbing is the fact that 20 of the rural counties actually lost population between the censuses of 1930 and 1950 (while the state's total inhabitants increased), largely as a result of the fact that all their people were unable to obtain adequate employment to keep them at home, and in many instances these Virginians have migrated to other states. Certainly these factors point up the very pressing need for an effective program of economic development for the whole state that will enable more, if not all, of our counties and cities to be as nearly self-sustaining as possible rather than burdening the state and federal treasuries with their clamor for subsidies. Most significant of all, any state's most important resource is its manpower, and when we see our people from important sections moving away from Virginia, certainly this unhealthy situation should be changed without delay. We certainly cannot afford this erosion of our human topsoil!

These additional productive jobs resulting directly from new or expanding industries within our borders will assure another very important advantage for the Commonwealth. The best estimates of the needs of our

**Need to
Broaden
Tax Base**

state government for revenues within the next ten years show that our growing population will require considerably expanded services and facilities to such an extent that our General Fund revenues must be increased by at least forty per cent within this period. Certainly no one is in favor of raising present tax rates (which in the case of income levies are already high relative to those of other states, as graphically shown by Exhibit 25) or of adding new taxes, and so if these undesirable alternatives are to be avoided, the solution must lie in cultivating and increasing the tax sources from which present revenues are obtained. We believe that a sound policy of industrial development is the most effective way in which Virginia's tax base can be expanded for the benefit of all concerned.

In our opinion, there are very few thinking people in the Commonwealth today who are opposed to encouraging present industries to expand or to attracting new enterprises from outside our borders to establish branch or principal plants here, provided in each case reasonable qualifications are met. Virginians are anxious to have sound, stable businesses locate among us or increase existing facilities, if they in turn are willing to be good corporate citizens by paying their own way rather than by seeking inequitable subsidies at the expense of established firms, and by treating fairly their employees and others with whom they do business.

If the premise is granted that our state generally favors industrial development for many good reasons, the question then arises: how effective a job is Virginia presently doing in this vitally important activity? We can answer this question in several ways. In the first place in 1956 it is estimated that national expenditures on new industrial plant and equipment were approximately 37 billion dollars, while in Virginia in the neighborhood of 200 million dollars were spent for the same purposes. On a strictly per capita distribution of the nationwide total, this state was entitled to expect over three times the amount of industrial expansion that we actually experienced. A second measure of our industrial progress is seen in the fact that industrial payrolls in 1929 provided 17.5% of our civilian income, and by 1956 this proportion had increased to 20.9%, but this figure was still far short of the nationwide average of 31.3% of total personal income from manufacturing. Likewise, the fact that our per capita income is still 15% below the national average is an important fact to be considered in this appraisal, since generally speaking, highly industrialized areas have the highest standards of income and living.

These measures of the efficiency of our industrial development efforts indicate that in Virginia we have made progress in recent years, but also that we still have far to go. The visits made by members of this Commission to six other states competing with ours in this field and our studies of the programs there and elsewhere, reinforce our conclusion that in this highly competitive field our activities have been inadequately planned, staffed, and financed at the state level. This lack of leadership and interest by our state government is in great contrast to the strenuous and often very effective efforts of several neighboring states. Our appraisal of Virginia's efforts shows a disturbing, general lack of knowledge and comprehension of the significance of the activities of over six thousand organizations (public and private) in every one of the forty-eight states that are spending annually an estimated 37 million dollars to attract new industries, as summarized in Exhibit 2.

As to the way
ment can be best
tions of the activit

**Program to
Improve
Industrial
Development**

and we recommen
the future, so tha
make to industria
we suggest that th
of Economic Deve
most important f
Development is me

**Changes in
Department
of Conserva-
tion and
Development**

to attract busines
velopment activiti
and interest of su
effective industria
we have visited an
by outstanding bu
for Virginia's pro
up to the present

As far as the
ment is concerned
it be retained, bu

**Divisional
Duties in
Department
of Economic
Development**

now in the proces
of operation, and
belief that all di
effectiveness the
the state's gener
development, this
opportunities for
resources. We th
interested primar
them through a
in Virginia.

In order to
development activ
on the Budget an
creases in the ap

Within the next ten years will require considerably such an extent that our increased by at least forty only no one is in favor income levies are already shown by Exhibit 25) the alternatives are to be increasing the tax sources we believe that a sound policy in which Virginia's tax ed.

le in the Commonwealth ustries to expand or to s to establish branch or each case reasonable e anxious to have sound, s or increase existing g to be good corporate rather than by seeking se of established firms, s with whom they do

erally favors industrial en arises: how effective ortant activity? We can place in 1956 it is esti- al plant and equipment nia in the neighborhood for the same purposes. of the nationwide total, three times the amount ctually experienced. A progress is seen in the provided 17.5% of our ncreased to 20.9%, but erage of 31.3% of total the fact that our per ge is an important fact aking, highly industrial- living.

ial development efforts recent years, but also mbers of this Commis- s field and our studies conclusion that in this inadequately planned, leadership and interest e strenuous and often es. Our appraisal of knowledge and compre- six thousand organiza- eight states that are attract new industries,

As to the ways in which an effective program of industrial develop- ment can be best accomplished in Virginia, it appears from our investiga- tions of the activities of other states in this field and our analysis of present

Program to Improve Industrial Development must come from the Governor's office and the Legislature and extend downward into the executive department or agency handling the economic and industrial development program here. The Department of Conservation and De- velopment has been responsible for these efforts heretofore,

and we recommend certain changes in its organization and program for the future, so that the important contributions that this agency should make to industrial development, can be fully realized. In the first place, we suggest that the name of the department be changed to the Department of Economic Development which we believe suggests more accurately its most important function. Since the present Board of Conservation and Development is merely advisory in nature, we recommend that a top policy- making group to be known as the Commission of Economic Development be appointed by the governor effective at the beginning of the next biennium. In turn, this Commission will select a full-time Director of Economic Development to carry out the policies and programs of the department in accordance with the wishes of the Commission. This revised plan of basic organization should make it possible

to attract business leaders to these key posts in the State's industrial development activities, and we call attention to the fact that the active support and interest of such men has been an essential factor in the success of effective industrial development programs in several of the states which we have visited and studied. Relative lack of such participation and interest by outstanding businessmen in the past is one of the important reasons for Virginia's program being inadequately planned, financed, and executed up to the present.

As far as the organization of the Department of Economic Develop- ment is concerned, we recommend that all of the present divisions within it be retained, but that the present Division of Planning and Economic Development be split into new Divisions of Planning and Research and of Industrial Development. The other divi- sions of the department should be maintained and those

Divisional Duties in Department of Economic Development that are presently functioning on an efficient and effective basis, including particularly Forestry and Public Relations and Advertising, should not be disturbed in any way; the Divisions of Mineral Resources and Water Resources are

now in the process of being expanded and brought up to proper standards of operation, and these forward steps are definitely desirable. It is our belief that all divisions will benefit from lifting to the same degree of effectiveness the very important function of industrial development. If the state's general economy is strengthened through statewide industrial development, this cannot help but result in a better market and larger opportunities for our forest products industry, our mines and other natural resources. We therefore propose taking nothing away from the divisions interested primarily in these specialized industries, but rather supporting them through a more effective overall program for economic betterment in Virginia.

In order to accomplish the proposed rejuvenation of our industrial development activities, we recommend that the Governor's Advisory Board on the Budget and the Legislature approve substantial but reasonable in- creases in the appropriations for industrial development activities and in-

Increased Appropriations

dustrial advertising, as outlined in Chapter C, Section 4 of the Body of this Report and also in Exhibit 13. When we consider that, as an example, four new manufacturing businesses which located in Virginia during the past five years paid into the State Treasury in 1956 \$191,000 in taxes, it is obvious that an effective industrial development program very quickly will much more than repay the additional investment by the state of approximately \$200,000 annually that we are recommending for the divisions directly concerned in this program.

Furthermore, even the recommended appropriations for industrial development are not as large as those of many of our neighboring and competing states for the same activities. For example, Exhibit 8 clearly indicates that on a per capita basis Virginia's appropriation for its Division of Planning and Economic Development (that is, industrial development) is one-fourth those of Connecticut, Kentucky, and West Virginia and one-half that of our sister-state, North Carolina, for their similar agencies. On a comparison of actual dollars of appropriations for these purposes, we are allocating only one-third as much as Kentucky and less than one-half of what Connecticut, North Carolina, and Pennsylvania feel is necessary to spend on development activities. Virginia's cost of governmental services generally is low, but in a productive activity of this kind, we should not be penny wise and dollar foolish where the Commonwealth's economic future is directly concerned.

In studying the activities of other states to encourage industrial development we were greatly impressed with the enthusiastic way in which many governors have personally inspired and directed their states' efforts. The greater the personal interest and enthusiasm of the chief executive, the greater are the chances for success of any program of this type. The ways in which any governor can be helpful and effective will vary as widely as the personalities, interests, and abilities of the men involved, but two characteristics are vitally necessary: an enthusiastic interest in the development program and a keen determination to see it carried out. Some governors of neighboring states have acted most successfully as the Number One Salesmen of their states' opportunities, and we commend to future governors of Virginia the great dividends that will accrue to the whole state from effective development activities.

The Commission, however, is strongly of the opinion that such an aggressive, successful program cannot be accomplished by government alone, but must rest upon a firm basis of cooperation and teamwork among the state and local governments, trade organizations, and private business.

Cooperation With Private Groups Essential

But we are certain that with a more effective state program and more capable leadership at this level, the organizations and individuals already actively engaged in this field will be able to get even more productive results in the future than heretofore. We particularly urge the formation of a working committee of those actively engaged in development work for the state as well as for business and trade organizations, railroads, utilities, etc. This group should establish its own procedures, but in any event it should meet regularly to exchange information, review and implement policies that may be proposed, and coordinate such important activities as the present cooperative advertising campaign on industrial development that is being carried on very successfully within the limits of present appropriations by the State Division of Public Relations and Advertising, and certain railroads, utility companies, and principal banks in Virginia.

Our investigation of industrial development comparable to other state institutions here to of those needing fir

Statewide Industrial Development Corporation

program of development strongly urge that requirements from sources. Consideration than sixty local departments of the state, localities in Virginia way by the state's

One of the most industrial development by the state and considering a new operation Economy show comparison is approximately

Virginia Taxes on Industry

either of these under our borders and the for allocating Virginia should be reviewed analysis of this recommendation is the North Carolina tion formula.

In the field of full industrial development

Education and Development

as well as in the engineering training provision of graduation same localities list normally accompanied

In Virginia business and for belief that these effectively in the

Chapter C, Section 4 of Exhibit 13. When we see new manufacturing activity during the past five years in 1956 \$191,000 in development program very investment by the state recommending for the

ations for industrial our neighboring and ample, Exhibit 8 clearly variation for its Division industrial development) West Virginia and one- similar agencies. On these purposes, we are and less than one-half ania feel is necessary governmental services is kind, we should not monwealth's economic

encourage industrial enthusiastic way in which ed their states' efforts. of the chief executive, less of any program of overnor can be helpful s the personalities, in- volved, but two charac- anthusiastic interest in to see it carried out. ost successfully as the s, and we commend to hat will accrue to the

opinion that such an ished by government and teamwork among and private business. effective state program vel, the organizations aged in this field will results in the future ge the formation of a engaged in develop- I trade organizations, n its own procedures, e information, review dinate such important mpaign on industrial y within the limits of Public Relations and and principal banks in

Our investigation of the adequacy of present financing available for industrial development in the state shows that Virginia is roughly comparable to other states in this respect. Private banks and other financial institutions here take care of the sound requirements of the great majority of those needing financing for expansion of existing businesses or establishment of new ones, and the comparatively small number that cannot obtain necessary funds are being helped in some instances by the Federal Small Business Administration and other agencies. The proposal for a statewide industrial development corporation by authorization of the state should follow rather than precede the changes in the basic program of development for the state that we have outlined above, and we strongly urge that such a development corporation obtain its capital requirements from private banks and institutions rather than government sources. Considerable progress has been made in the establishment of more than sixty local development corporations (all privately financed) in all parts of the state, and this commendable enterprise on the part of many localities in Virginia is to be encouraged and enhanced in any practical way by the state's future industrial development activities.

One of the most important factors in connection with a successful industrial development program is the nature and amount of taxes levied by the state and localities on industry that is already located or is considering a new operation. Studies by the Advisory Council on the Virginia Economy show conclusively that our overall tax burden on manufacturing is approximately average in comparison with the load in other states.

However, any increases in rates here will have a very definite, discouraging effect on the attractiveness of our state for manufacturing businesses. Therefore, it is all the more important that we avoid raising taxes or adding new ones, and as already emphasized, the best way to avoid either of these undesirable alternatives is to attract new business within our borders and thereby broaden our present tax base. The present formula for allocating Virginia's corporate income taxes to multi-state businesses should be reviewed promptly and action taken in line with the results of an analysis of this situation currently being made; accomplishment of this recommendation is considered particularly essential in view of the action of the North Carolina Legislature earlier this year in revising its own allocation formula.

In the field of education which is a very important adjunct to successful industrial development, we find that our public schools on the whole are quite adequate and in most localities are satisfactory to business considering locations here. The main needs for improvement in the educational field as far as an effective economic development program is concerned, lie in 1) the provision of more technical training in the secondary schools as well as in the night and extension courses, 2) provision of college engineering training in the central and eastern areas of Virginia, and 3) provision of graduate training in engineering and scientific subjects in the same localities listed in (2), together with the research facilities that normally accompany such graduate schools.

In Virginia we have many natural advantages for attracting new business and for encouraging expansion of existing facilities. It is our belief that these excellent opportunities should and can be presented most effectively in the future through the procedures outlined above and

**Selling
Virginia's
Industrial
Advantages
Successfully**

described in more detail in the Body of this Report. Virginia is widely known for the favorable climate for business that it has provided through a long history of sound but reasonably progressive government at state and local levels. We have treated business fairly, especially in the very important fields of regulations governing labor relations and use of natural resources, and in provision of adequate services for all of our citizens. However, the possession of these advantages is not enough to guarantee success in broadening our economy as we have recommended. Every state in the union and thousands of organizations are working on the same project, and therefore our activities in this important field must be handled by the most capable men available, they must be adequately financed, clearly defined, and enthusiastically supported at the state government level, if we are to make the headway that we should in the years ahead. Leadership and salesmanship of the highest order are desirable, but a basis for teamwork by all concerned and provision of adequate records and data on human and natural resources are indispensable contributions of the state government, if Virginia's "favorable climate for business" is to be effectively brought to the attention of industries on the move and expanding today at an unprecedented rate to take care of the needs of a growing America.

We have made considerable progress to date in broadening and balancing our Virginia economy through industrial development activities. But much more still remains to be accomplished, if our people are to have new and greater job opportunities that will bring their standards of income and living up to nationwide averages. In America's fast-moving economic parade Virginia has in recent years reduced the lead of the more prosperous states, but we are still slightly behind the middle of this procession. Our best chance of catching the leaders is by a sound, aggressive program of industrial development which will have many benefits for all our citizens, including the very important advantage of making it possible for more of our localities to pay their own way rather than looking to Richmond and Washington for financial handouts for necessary public services.

A. Introduction

In accordance with Commission has met in three subcommittees we the general field of industry each of these subcommittee assigned subcommittee assigned visited during the winter industrial development work Alabama, Pennsylvania, of these states. Our studies states to be most helpful of their work as well proved or adapted to Virginia to reciprocate and pass that have been particularly marizes our findings on many of the functions of government Agencies in each of

The Commission fees investigations both inside and outside the state to conduct a thorough and impartial study of the problem and elsewhere in the past strengthen and improve

Furthermore, we have Government concerned with interested in our assignment accomplishment. The Director of Development and the Commission Economic Development has and shown the Commission

The Commission has advice of an able group of men of Lynchburg, Webster Smith of Danville, J. Brockenbrough informal committee reviewing recommendations for industrial development as well as the mission is most grateful

Before making our recommendations development activities in the state would like to acknowledge the progress already been made in broadening particularly in the last few years development under the act of 1945 and since that time much progress period from 1953 to 1957 other have been located enterprises now totals 160 annually. These new industrial Company refinery at York plant operations with a capacity size as well as in type of

As a matter of fact,

...y of this Report. Virginia
...climate for business that
...g history of sound but
...t at state and local levels.
..., especially in the very
...erning labor relations and
...n provision of adequate
...ssion of these advantages
...ing our economy as we
...nd thousands of organi-
...therefore our activities
...st capable men available,
...ed, and enthusiastically
...o make the headway that
...esmanship of the highest
...y all concerned and pro-
...nd natural resources are
...ent, if Virginia's "favor-
...ught to the attention of
...n unprecedented rate to

...late in broadening and
...l development activities.
...f our people are to have
...ring their standards of
...n America's fast-moving
...nced the lead of the more
...he middle of this proces-
...a sound, aggressive pro-
...many benefits for all our
...f making it possible for
...han looking to Richmond
...ary public services.

A. Introduction

In accordance with the provisions of the enabling resolution, the Commission has met in Richmond and elsewhere on several occasions, three subcommittees were appointed to investigate various aspects of the general field of industrial development, and reports were made by each of these subcommittees to the full Commission. In addition, one subcommittee assigned to study the programs of neighboring states visited during the winter and spring of 1957 the officials in charge of industrial development work in Kentucky, West Virginia, North Carolina, Alabama, Pennsylvania, and Connecticut in the capital cities of each of these states. Our subcommittee found the officials of these other states to be most helpful and cooperative in making available full particulars of their work as well as their ideas about how these could be improved or adapted to Virginia's needs. In turn, our members were glad to reciprocate and passed on to our neighbors information on projects that have been particularly successful in our state. Exhibit 7 summarizes our findings on these visits, while Exhibit 4 provides a summary of the functions of and appropriations for Planning and Development Agencies in each of the forty-eight states.

The Commission feels that as a result of these meetings and investigations both inside and outside Virginia, we have been able to conduct a thorough and impartial investigation of what has been done here and elsewhere in the past and of what may be done in the future to strengthen and improve our industrial development activities.

Furthermore, we have found all officials of the Virginia State Government concerned with this important work to be extremely interested in our assignment and helpful in furthering its successful accomplishment. The Director of the Department of Conservation and Development and the Commissioner of the Division of Planning and Economic Development have both worked with us particularly closely and shown the Commission every possible consideration and courtesy.

The Commission has also been fortunate to have the benefit of the advice of an able group of leading businessmen, Messrs. Henry E. McWane of Lynchburg, Webster S. Rhoads, Jr. of Richmond, Frank Talbott, Jr. of Danville, J. Brockenbrough Woodward, Jr. of Newport News. This informal committee reviewed with members of the Commission our recommendations for increases in state appropriations for industrial development as well as the general program proposed herein. The Commission is most grateful for their interest and suggestions.

Before making our recommendations about ways in which industrial development activities in Virginia can be improved, the Commission would like to acknowledge the fact that considerable progress has already been made in bringing desirable new businesses to our state, particularly in the last few years. The first real program of industrial development under the auspices of the state government began in 1950, and since that time much has been accomplished. For example, in the period from 1953 to 1957, at least 169 new industries of one type or another have been located within our borders and employment in these enterprises now totals 16,100 with estimated payrolls of \$51,000,000 annually. These new industries include the tremendous American Oil Company refinery at Yorktown costing \$25,000,000 and also small garment operations with a few thousand dollars invested, and this range in size as well as in type of manufacturing is all to the good.

As a matter of fact, Virginia in the last 30 years has already changed

from an economy depending primarily on agriculture to one much better balanced. The following figures showing the percentage of total civilian personal income for the state in 1929 and in 1956 are very revealing in this connection:

Virginia Civilian Personal Income
(Per Cent of Total by Sources)

	Agriculture	Manu- facturing	Retail-Wholesale Trade	Government (state, federal, & local payrolls)
1929	19.4%	17.5%	16.8%	9.5%
1956	6.4%	20.9%	19.9%	20.4%

These figures exclude payments to military personnel stationed at the numerous Virginia bases, but these armed services payrolls represented 1-1/3 billion dollars of total personal income reported in the state last year amounting to \$6 billion. The fact that manufacturing payrolls account for the largest single source of income in the state at present is not as favorable a situation as could be expected, when we note that government civilian payrolls are nearly as large and have more than doubled in relative importance since 1929 without considering the very sizable income of military personnel. From a condition of considerable dependence in 1929 on farming, we have moved to a better balanced economy, but one which is extremely dependent on government payrolls, both military and civilian, which are by far the largest single source of personal income.

It is our opinion that attracting to our communities sound, stable industries is the most effective way of giving Virginia a well-rounded, dynamic economy that will not be subject to the whims of federal politicians and bureaucrats who will determine to a large extent the level and location of national government employment, both military and civilian. A good comparison of Virginia's overall income sources relative to those of other states is seen in Exhibit 1, which shows Virginia has the greatest dependence on federal government payrolls of any state with 14.7% of total income in this one basket.

The fact that per capita income in Virginia is still \$293 less than the national average of \$1940 shows that we still have far to go. However, in all fairness it must be pointed out that our per capita income today is 85% of the countrywide average, whereas in 1929 it was only 62% of this figure. In this period of increasing industrialization and great increase in the number of federal government employees residing in Virginia, our gains have been better than those of the country as a whole, but we are still definitely lagging in the economic procession. Herein lies proof of the great opportunity for further and accelerated industrial development.

In looking at the future it is most important to take into consideration the fact that Virginia's rapidly growing population (particularly in the age brackets below 20 years and over 60) will make necessary for the state to provide costly and extensive new services and facilities during the next ten years. These increased expenditures will be needed particularly for the expansion of our public schools, colleges, and mental hospitals, which will be called on in the years ahead to provide more and more custodial care for the increasing number of older citizens. If our revenues are to be increased from present tax sources without in-

creasing present rates, the expansion of our economy by within Virginia and create come needed by our people. the present rates of taxation compared with other state income levies) or 2) to match an expected growth which a leading authority the next ten years. There gram for the state is essential and other proper requirements increased tax burden in the We firmly believe that sidering new locations here many material advantages i

- 1) excellent supplies
- 2) water resources a
- 3) a stable labor su
- 4) close proximity to
- 5) an excellent tran
great port faciliti
- 6) a favorable year-

However, attractive as the portance in attracting indus our state which involves a l sive government at state ar conditions are excellent relat books and the actions by our and equitable to business in

- 1) labor relations
- 2) taxes of various k
- 3) regulations govern
- 4) provisions of ad
services

These are the advantages v opportunity for long-range way and add something to rather than merely exploit t large, Virginia's new busine able kind and our greatest lies in bringing others of a

Virginia has a wonder industrial development prog out ways in which we can our excellent climate for b advantages.

¹ Report on the Economic Posi and Expenditures by the Econome Council on the Virginia Economy.

culture to one much better percentage of total civilian 1956 are very revealing in

income
(ces)

	Government (state, federal, & local Trade payrolls)
16.8%	9.5%
19.9%	20.4%

personnel stationed at the
ices payrolls represented
reported in the state last
manufacturing payrolls ac-
n the state at present is
cted, when we note that
ge and have more than
out considering the very
condition of considerable
ved to a better balanced
ent on government pay-
y far the largest single

ommunities sound, stable
Virginia a well-rounded,
e whims of federal politi-
large extent the level and
oth military and civilian.
sources relative to those
s Virginia has the great-
of any state with 14.7%

ia is still \$293 less than
ill have far to go. How-
ut our per capita income
reas in 1929 it was only
ing industrialization and
ment employees residing
nose of the country as a
he economic procession.
further and accelerated

tant to take into consid-
ring population (partic-
ver 60) will make neces-
e new services and facil-
sed expenditures will be
olic schools, colleges, and
e years ahead to provide
number of older citizens.
t tax sources without in-

creasing present rates, this must be accomplished largely through ex-
pansion of our economy by attracting desirable new industry to locate
within Virginia and create thereby the extra job opportunities and in-
come needed by our people. The other alternatives will be 1) to increase
the present rates of taxation, which in some cases are already very high
compared with other states (particularly the corporate and individual
income levies) or 2) to add new taxes in order to obtain revenues to
match an expected growth in General Fund expenditures by the state
which a leading authority¹ estimates will increase by at least 40% in
the next ten years. Therefore, an effective industrial development pro-
gram for the state is essential, if we are to be able to provide the services
and other proper requirements of our people without an additional or
increased tax burden in the years.

We firmly believe that Virginia has much to offer industries con-
sidering new locations here or expansion of existing facilities. We have
many material advantages including:

- 1) excellent supplies of raw materials of many types
- 2) water resources adequate for most kinds of manufacturing
- 3) a stable labor supply
- 4) close proximity to the largest consumer markets in the country
- 5) an excellent transportation system, including particularly the
great port facilities of Hampton Roads
- 6) a favorable year-round climate

However, attractive as these tangible assets are, of even greater im-
portance in attracting industries is a "favorable climate" for business in
our state which involves a long history of sound but reasonably progres-
sive government at state and local levels. Our state and local financial
conditions are excellent relative to most other states, and the laws on our
books and the actions by our governing bodies in the past have been fair
and equitable to business in several important fields, such as

- 1) labor relations
- 2) taxes of various kinds
- 3) regulations governing use of natural resources
- 4) provisions of adequate educational and other community
services

These are the advantages which attract companies that have the best
opportunity for long-range success, those that want to pay their own
way and add something to the communities in which they are located
rather than merely exploit them and extract exorbitant profits. By and
large, Virginia's new businesses in recent years have been of this desir-
able kind and our greatest opportunity in developing a sound economy
lies in bringing others of a similar type.

Virginia has a wonderful combination of advantages to sell in its
industrial development program, and it is the Commission's aim to point
out ways in which we can call to the attention of the country as a whole
our excellent climate for business and our many physical and natural
advantages.

¹ Report on the Economic Position and Outlook of Virginia and on Virginia Revenues
and Expenditures by the Econometric Specialists, Inc. in August, 1957 to the Advisory
Council on the Virginia Economy.

Competition is extremely keen among the various states and communities for the tremendous sums being spent by American business on new plant and equipment amounting to \$37 billion at the present annual rate. Yet the best estimates of the annual investment in new industrial plant and equipment in Virginia for the past several years is approximately two hundred million dollars, a figure less than one-third of what we might expect from a slicing of this industrial melon on a per capita basis among the forty-eight states. More than 6,000 separate organizations (state, urban and regional governments, trade associations, utilities, railroads, banks and other corporations of many kinds) are participating in what amounts to a commercial war to get as large a share of this plant building bonanza located in their vicinity as possible. A leading business columnist estimates in a recent newspaper article (Exhibit 2) that \$37 million is being spent by these numerous groups interested in the encouragement of new industrial location in their spheres of interest.

As another indication of how far we have advanced until the present in our efforts to bring in or develop desirable manufacturing enterprise within the Commonwealth, we refer again to the table at the beginning of this chapter showing that of total civilian income for the state, 20.9% came from manufacturing in 1956 as compared with 17.5% in 1929. It is generally recognized that communities with a high degree of industrialization normally have a high standard of income and living, and so when we look at Exhibit 1 and find that Virginia's present percentage of total income from industry is still only approximately two-thirds of the national average of 31.3%, we get another clear indication of how far we have to go despite the admitted considerable progress of the last thirty years.

B. What Is Industrial Development?

The words "industrial development" in business terms, that a business community can attract, or does both.

The reasons that cause a community to increase wage expenditures, and the factors that influence such decisions, the size of companies, and no two decisions to expand are precisely the same considerations.

Industrial development can be divided into three categories:

1. Expansion of existing industry
2. Establishment of new industry with head office in the community
3. Establishment of new industry in the community

These headings cover the three types of industrial development that lead to these three categories.

Under each heading are listed the factors that lead to these three categories in stimulating business growth.

Expansion of Existing Industry

The expansion of existing industry from one or more of four categories:

1. A general increase in the size of the industry. Typically such an increase is the result of initiative of the industry.
2. Individual companies increasing its production capabilities.
3. A decision by a community to encourage the use of additional industries (banks, insurance, etc.) which are locally favorable.
4. In the case of a company, a decision by the company to expand its operations.

Study of these four categories shows that the government can do to stimulate industrial development is to treat fairly the community and to be diligent to encourage it to live and do business. The data on raw materials and labor to data on available labor and expansion within its borders, laws and taxes are fair to neighboring states which are competing for the same business.

Local governmental actions, such as real estate taxes, zoning regulations, and other factors, are of great importance in stimulating business growth.

the various states and com-
by American business on
tion at the present annual
vestment in new industrial
several years is approxi-
less than one-third of what
rial melon on a per capita
an 6,000 separate organi-
ts, trade associations, util-
f many kinds) are partic-
to get as large a share of
nity as possible. A lead-
newspaper article (Exhibit
umerous groups interested
ation in their spheres of

advanced until the present
manufacturing enterprise
the table at the beginning
income for the state, 20.9%
d with 17.5% in 1929. It
a high degree of indus-
income and living, and so
ia's present percentage of
imately two-thirds of the
ear indication of how far
able progress of the last

B. *What Is Industrial Development and Why?*

The words "industrial development and expansion" mean, in specific terms, that a business concern increases its fixed assets, enlarges its payroll, or does both.

The reasons that cause businessmen to add to capital investment or increase wage expenditures are exceedingly numerous. The critical factors that influence such decisions differ widely, depending on the industry, the size of company, its location and the point in time. Probably no two decisions to expand business operations are ever influenced by precisely the same considerations weighed in the same way.

Industrial development and expansion fall in general into three categories:

1. Expansion of existing facilities
2. Establishment of branch plants, particularly by companies with head offices outside Virginia
3. Establishment of new companies

These headings cover the field of industrial development, but the forces that lead to these three kinds of business expansion differ significantly.

Under each heading the role that public authority can usefully play in stimulating business growth is mentioned specifically.

Expansion of Existing Facilities

The expansion of existing plant and equipment typically results from one or more of four causes:

1. A general increase in demand, areawide or nationwide. Typically such increase is not closely related to the ability or initiative of the management of a particular company.
2. Individual company success in manufacturing or merchandising its product. This is closely related to management's abilities.
3. A decision by a company to develop thoroughly or saturate the local or community market it serves, through aggressive selling, the use of additional services, etc. Service and distributive trades (banks, merchants, public utilities, etc.) are in a specially favorable position to embark on such policies.
4. In the case of expansion of a branch plant or subsidiary company, a decision by top management in the light of overall company planning and strategy.

Study of these four causes suggests that for the most part all a state government can do to stimulate expansion of facilities within the state, is to treat fairly the commercial and industrial interests located there and to be diligent to ensure that the state is a desirable place in which to live and do business. The state can also be helpful in providing basic data on raw materials such as water, minerals, forests, etc. in addition to data on available labor supply. The state can also properly influence expansion within its borders rather than elsewhere by ensuring that its laws and taxes are fair and reasonable in comparison with those of neighboring states which might also be considered.

Local governmental bodies have special responsibilities regarding real estate taxes, zoning ordinances and schools in their particular communities.

Establishment of Branch Plants

The decision by a business concern to establish a branch plant in a particular locality is a matter of considerable complexity. Usually it involves a substantial sum of money. Almost certainly its consequences—good or bad—will be with the company for many years. Consequently, the primary need of a company considering a particular location is for as complete information as possible regarding that site, in order that its decision may be well-informed.

Attached to this report as Exhibit 19 is the outline of information said to be sought by the DuPont Company when studying an industrial site. The schedule, arranged under 13 headings, is detailed and comprehensive.

This outline indicates the kinds of information that public authorities should be able to supply. Some of the needed data can come only from the federal government (e.g., certain kinds of maps, population statistics). Some can come only from local sources (e.g., zoning ordinances, size and character of such local facilities as hotels, hospitals, banks). Some must be gathered by the company itself, but provision of other kinds of information is clearly a responsibility of the state government.

A prime example of this is knowledge of water resources, item 5 in Exhibit 19. Perhaps no other information is so generally required by all companies or is so vital to a particular company investigating an industrial site. While local authorities can be expected to provide some of the needed data, comprehensive knowledge regarding the flow of streams can only be furnished at the state level. Perhaps a bench mark of the state's responsibility should be the charting of every stream possessing a minimum daily flow, to its mouth, of 5,000,000 gallons.

Similarly, Exhibit 19 suggests other types of information that can only be furnished, and should be furnished, by state agencies.

Establishment of New Companies

Men found new business concerns for many reasons. Such knowledge as we have of their motives and of the chances of success of new concerns suggests that their actions more often stem from emotional impulses or creative instincts than from any coldly logical calculation of possible loss or gain.

Study of the birthrate of new businesses shows that the rate is higher at some times than at others, higher in some places than in others. The circumstances surrounding the kinds of new businesses started also suggest that quite different influences stimulate the establishment of manufacturing concerns, extractive enterprises, companies in the distributive trades and companies in the service industries. Thus three questions arise:

1. What environmental conditions are conducive to the founding of new enterprises in general?
2. What are the characteristic circumstances that stimulate the founding of extractive, manufacturing, distributive or service companies?
3. What steps can public authority take to create conditions that are favorable to the creation of new enterprises?

Generally speaking, an expanding economy as evidenced by a growing population, an expanding national income and a rising standard of living

stimulate the founding of a number of new concerns during a boom cycle and declines during a depression. Governmental bodies—local, state and federal—can influence the process.

The initiation of a new business is often the result of the known presence of a market. The spread between costs and revenues is a step public authority can influence in business—but this is in part a detailed and reliable information that the business opportunity is known.

Typically the growth of a business is either an increase in the number of distributive or manufacturing concerns. At the latter point, every new concern must be "supported" or "sustained" by service and service employment. The appropriate ratio differs in different circumstances. Let us assume a ratio is five to one. In an industrial or manufacturing concern, another five men be employed.

An increase in employment generally does not have a direct effect on the locality is one of the causes of the distributive or service concerns. "Development" should be a result of extractive, industrial or

Important Contributions

What steps can public authority take to stimulate establishment and growth of new concerns? Information helpful in answering this question. By all odds, one of the most important is competent, energetic, and well-trained schools and colleges depend on research and development at least minimum facilities to eliminate some communication, just as the same is true of the material by modern business.

In addition to improving the conditions also usefully undertake the establishment of new concerns, which is a place only after very extensive

The first of these is the information that goes into the population growth, age, and living habits, etc. The information needed by the business

The second has to do with the

ants

publish a branch plant in complexity. Usually it tainly its consequences—y years. Consequently, particular location is for at site, in order that its

e outline of information n studying an industrial s, is detailed and com-

on that public authorities ata can come only from maps, population statis- (e.g., zoning ordinances, otels, hospitals, banks). but provision of other of the state government.

ater resources, item 5 in o generally required by any investigating an in- ected to provide some of ling the flow of streams bench mark of the state's ream possessing a min-

of information that can ate agencies.

anies

easons. Such knowledge of success of new con- em from emotional im- ly logical calculation of

shows that the rate is ne places than in others. businesses started also e the establishment of companies in the dis- industries. Thus three

ducive to the founding

nces that stimulate the distributive or service

o create conditions that terprises?

evidenced by a growing ising standard of living

stimulate the founding of all types of new enterprises. Similarly, the number of new concerns increases during the upswing of the business cycle and declines during the downswing. It is doubtful whether state governmental bodies—whatever may be the case as regards federal bodies—can influence materially these overall conditions.

The initiation of enterprises in the extractive industries depends on the known presence of natural resources and the size of the estimated spread between costs of production and expected selling prices. The only step public authority can take to assist the development of extractive business—but this is important—is to be diligent in providing complete, detailed and reliable information regarding natural resources, in order that the business opportunities represented by their presence shall be known.

Typically the growth of service and distributive trades follows either an increase in the population or an increase in industrial, extrac- tive or manufacturing payrolls in a given area. By way of illustrating the latter point, every man in a given community in such a job needs to be "supported" or "serviced" by a number of other men in distributive and service employment (including government employment). The ap- propriate ratio differs from community to community, depending on cir- cumstances. Let us assume that in a particular locality the appropriate ratio is five to one. In that event, every additional man employed in an industrial or manufacturing job in an area will ultimately "require" that another five men be employed in that community.

An increase in employment in distributive or service industries generally does not have a similar causative effect. It therefore follows that an increase in manufacturing or extractive employment in a given locality is one of the conditions most useful in expanding employment in the distributive or service trades. Thus public bodies charged with "de- velopment" should be more concerned with stimulating the founding of extractive, industrial or manufacturing concerns than with other types.

Important Contributions of State Government to Industrial Development

What steps can public bodies at the state level take to stimulate the establishment and growth of these undertakings, in addition to supplying information helpful in defining the presence of business opportunities? By all odds, one of the most important is the provision and fostering of competent, energetic, forward-looking educational institutions. Good schools and colleges draw industry of certain kinds because of their dependence on research and technical facilities. In other cases the lack of at least minimum facilities at the secondary school level is enough to eliminate some communities or areas otherwise qualified as a plant loca- tion, just as the same is true of other local services now considered essen- tial by modern business management.

In addition to improving education facilities, state governments can also usefully undertake two other projects conducive to the establishment of new concerns, which as indicated earlier, are located in a particular place only after very exhaustive investigation of all pertinent facts.

The first of these has to do with the provision of all the kinds of in- formation that go into competent market surveys—material regarding population growth, age distribution, occupation, disposable income, buy- ing habits, etc. The importance of making available the other types of information needed by business has already been emphasized.

The second has to do with the range of services comprised in the

phrase "business clinics and advisory services". Many new, small businesses have need of competent advice on a host of matters ranging from accounting practices to technological developments. Often the need for advice is more pressing than the need for financing. Generally speaking, provision of this kind of help is a grass-roots matter and a proper sphere for local development corporations encouraged by the proper state agency. Since development corporations are considered in another part of this report, the subject will not be elaborated here.

Governmental subsidies are not regarded as a device useful for promoting self-sustaining enterprise in a free market economy.

It should also be noted that "change" in all its many forms produces business opportunities and commonly stimulates the formation of companies. Changes in population, in living habits, in the transport network, in the location of industry, in income distribution—all these often lead to business opportunities and to the founding of new concerns. But in most cases public authority can induce "change" only indirectly. One possible exception is the development by governmental bodies of resources possessing a broad public interest whose utilization is inappropriate for private enterprise. In some cases the conservation and impounding of community water supplies and the development of harbors and navigable waterways are of this nature. Even in these instances, however, it is not always clear that a dollar spent by public authority has a greater stimulative effect than would be the case if the funds were spent by private persons.

Industrial development comes in many aspects and from a variety of causes. Certainly it is fair to say that the action, or lack of effort, on the part of any state government is one of the important determining factors in the decision of a business enterprise to expand an existing plant, add a branch location, or found a new business from scratch. In this time of ever-growing competition among all the forty-eight states and their thousands of communities all over the nation, energetic, resourceful action by one state as contrasted with complacency or inefficiency on the part of another state in its solicitation efforts may well be the determining factor that lands an industrial plum within the first state's borders.

C. Recommendations on the

1. Analysis of Present Pro

The Commission's study of the Department of Conservation field, as well as those of other states, indicates that this is to the best of the capacity particularly in view of the Commission is of the opinion that general and industrial development and relegated to a somewhat program.

The work of this Department concentrated in one of its six divisions and Economic Development responsible, industrial development of statistics, mapping keys to any effective program these activities are carried state government. These Exhibit 3 which gives a comparison of appropriations for this Division in the Department is graph of the total General Fund. less than 10% went to Planning the present fiscal year 1955 division in any industrial development in the very important of the Department of Conservation in recent years. Exhibit committee in visits to six development programs, shown by the executive branch, the other states, appeared to us

We believe that this situation

(1) Virginia, unlike development program and responsibility to effort in this field. advisory functions and of the greatest significance Board of Conservation salaried members are purely advisory in nature availability for membership fully by other states and Arkansas in the appointments to the Board too little regard for the make to the development than specialized segments required for membership reward apparently has

services". Many new, small business on a host of matters ranging from developments. Often the need for financing. Generally speaking, s-roots matter and a proper sphere encouraged by the proper state ns are considered in another part elaborated here.

regarded as a device useful for a free market economy.

ge" in all its many forms produces stimulates the formation of coming habits, in the transport net-income distribution—all these often the founding of new concerns. But uce "change" only indirectly. One t by governmental bodies of reerest whose utilization is inappropriate cases the conservation and im- s and the development of harbors nature. Even in these instances, ollar spent by public authority has ld be the case if the funds were

many aspects and from a variety at the action, or lack of effort, on one of the important determining enterprise to expand an existing a new business from scratch. In among all the forty-eight states all over the nation, energetic, re-asted with complacency or ineffi-its solicitation efforts may well be industrial plum within the first

C. Recommendations on the Department of Conservation and Development

1. Analysis of Present Program of the Department

The Commission's study of the present activities of the Virginia Department of Conservation and Development in the industrial development field, as well as those of corresponding departments or agencies in other states, indicates that this important work in Virginia is being carried on to the best of the capacities of the personnel presently assigned to it, particularly in view of the limited funds made available. However, the Commission is of the opinion that economic development activities in general and industrial development efforts in particular are being submerged and relegated to a somewhat minor position in the department's overall program.

The work of this Department in industrial development is now concentrated in one of its six large operating divisions, the Division of Planning and Economic Development. The activities for which this Division is responsible, industrial development and solicitation, research and compilation of statistics, mapping and surveys, and local planning, are important keys to any effective program for attracting industry to Virginia, whether these activities are carried on by this Division or any other agency of state government. These functions are set forth in considerable detail in Exhibit 3 which gives a complete resume of them. The fact that appropriations for this Division have lagged behind those of the other Divisions in the Department is graphically shown in Exhibit 5, which indicates that of the total General Fund appropriations for the Department (\$1,627,580) less than 10% went to Planning and Economic Development, (\$131,600) in the present fiscal year 1957-58. In other words, it appears that this key division in any industrial development program has not received full backing in the very important matter of adequate appropriations by the Board of the Department of Conservation and Development and by the Legislature in recent years. Exhibit 7 which recounts the experience of our subcommittee in visits to six other states to investigate their industrial development programs, shows that the attention to industrial development by the executive branch, the legislature, and the public in general in these other states, appeared to us to be considerably greater than in Virginia.

We believe that this situation is a result of several basic conditions:

(1) Virginia, unlike other states with what we consider effective development programs, has no top-level body with sufficient authority and responsibility to plan and execute an imaginative and aggressive effort in this field. The distinction between a board with merely advisory functions and one with policy-making powers is fundamental and of the greatest significance, in our opinion. Virginia does have a Board of Conservation and Development consisting of thirteen non-salaried members appointed by the Governor, but by statute it is purely advisory in nature and this fact has necessarily limited the availability for membership of active business leaders used so successfully by other states such as Kentucky, Connecticut, North Carolina, and Arkansas in their programs. Furthermore, it is our view that appointments to the Board in the past have in general been made with too little regard for the contribution that the individual members can make to the development of the overall economy of the state rather than specialized segments of it. Finally, with no specific qualifications required for membership, considerations of political friendship and reward apparently have entered the picture at times.

(2) At present the office of Director of the Department of Conservation and Development is occupied by a man well qualified to hold this position based on past experience and service in the state government. However, in previous years this important post has been held by several persons who were not, in our opinion, qualified on the basis of experience or aptitude to develop and carry out successfully a program of the type that we believe essential for Virginia to have in the future. It is our belief that this key job in the development program should be removed as far as practicable from political influence and made as attractive as possible for professionally qualified men to seek in the future.

The plan of organization which has been used by the Virginia State Ports Authority for several years appears to have considerable merit. This involves a policy-making board, who in turn select a director to carry out the general programs authorized by the board and to serve at the pleasure of the board. This arrangement appears to remove the office of the director from undesirable political influence to a greater extent, and also to contribute to the very desirable goal of reasonable continuity of direction for a long-range program of economic development. The favorable experience of the Connecticut Development Commission, which has a similar organization, bears out this view, while the unfortunate results of having this position subject to each new governor's appointment, are illustrated by Massachusetts' loss earlier this year of an extremely capable Director of Development and considerable difficulty in obtaining a qualified replacement.

(3) It is our observation that the industrial development program of the state has not had general support of business leaders in Virginia, contrary to the condition which exists in a number of other states with which we are competing in this field, notably Kentucky, North Carolina, and Alabama. We believe that the active support and interest of enlightened and influential businessmen of the top rank is essential to the full success of an undertaking of this nature. Such men are more likely to take an active part as board members, if the board has policy-making powers rather than merely an advisory capacity as the present Board of Conservation and Development does. Furthermore, a technique which has been very effective in several other states, the use of an informal committee or council of officials engaged actively in the industrial development field for private utilities, railroads, chambers of commerce, as well as the state government, can be best sponsored and encouraged by top business leaders of the type we have in mind here. Finally, the active interest and participation of business leaders helps create an atmosphere conducive to progress in this work, and leads directly and indirectly to new ideas and opportunities for successful execution of a statewide program.

(4) The absence of enthusiastic support for a general program of economic development in Virginia is reflected in the comparatively small appropriations made available for the industrial and economic development functions of the state as compared with those of our neighbors and others actively competing with Virginia. The important supporting activities such as planning, mineral resources, water resources, forestry, etc. also need adequate financial support, if we are to be able to make available the necessary data for the expansion of existing industry in Virginia as well as attracting newcomers.

Exhibit 8 shows development work for the Division of per capita cost. (Connecticut, Kentucky) the same work is In the case of the are equal to those percent as large expenditures are to

(5) The lack of industrial development private citizens have the part of Virginia of direct interest executives is in efforts in this direction petition with us, land of West Virginia Faubus of Arkansas The very active states' programs have not substantial commission recommends be received by the emphatically a success

(6) Since its formation Development has and analysis of Virginia Economy commission by the Governor. report on the opportunity been fortunate in ever, the Council and since its formation have done little to date dations made by the availability of on industrial growth resources, production sources, mineral resources

In summing up the our state and making state government's part Virginia we have many pansion here and also general area. However, sidering a move or an in a position to call to possibilities. Once the on the part of the state must make available prospect before an interest both our promotional limited by the general and the resulting inadequate

the Department of Conservation a man well qualified to lead and service in the state. This important post has in our opinion, qualified to develop and carry out successfully essential for Virginia. That this key job in the state as far as practicable from the possible for professionally

used by the Virginia State Board have considerable merit. The board will select a director to lead the board and to serve the state. It appears to remove the state's influence to a greater desirable goal of reasonable program of economic development. Connecticut Development Commission bears out this view, while the Commission subject to each new Massachusetts' loss earlier of Development and replacement.

development program of business leaders in Virginia, member of other states with Kentucky, North Carolina, and Virginia support and interest in the top rank is essential to the nature. Such men are members, if the board has an advisory capacity as the state does. Furthermore, in several other states, the officials engaged actively in utilities, railroads, chamber of commerce, can be best sponsors of the type we have in participation of business to progress in this work, as and opportunities for

or a general program of development in the comparatively industrial and economic compared with those of our state with Virginia. The mining, mineral resources, adequate financial support, if necessary data for the expansion as well as attracting new-

Exhibit 8 shows that Virginia's appropriations for industrial development work as indicated by the funds asked for the next biennium for the Division of Planning and Economic Development, on a basis of per capita cost are only one-half (North Carolina) to one-fourth (Connecticut, Kentucky, and West Virginia) those made available for the same work in four of the six states that we visited and studied. In the case of the other two states, Virginia's requested expenditures are equal to those of Pennsylvania on a per capita basis but only forty percent as large in dollars; in the case of Alabama our per capita expenditures are two-thirds those of this Deep South state.

(5) The lack of general support for a comprehensive economic or industrial development program in the state by business leaders and private citizens has been paralleled by comparatively small interest on the part of Virginia's governors for the past several terms. This lack of direct interest and participation on the part of the state's chief executives is in striking contrast to the personal enthusiasm and efforts in this direction by governors of states that are in direct competition with us, such as Governors Hodges of North Carolina, Marland of West Virginia, Chandler of Kentucky, Folsom of Alabama, Faubus of Arkansas, Griffin of Georgia, and Leader of Pennsylvania. The very active and energetic support of these governors for their states' programs of economic development has undoubtedly contributed substantially to the success they have enjoyed. This Commission recommends to future governors the considerable dividends to be received by the whole state through their backing actively and emphatically a sound program of development activities.

(6) Since its founding in 1948 the Department of Conservation and Development has had at its service a valuable auxiliary for research and analysis of Virginia's economy, the Advisory Council on the Virginia Economy composed of forty-five non-salaried members appointed by the Governor. The Council's function has been to investigate and report on the opportunities and problems of our economy, and it has been fortunate in having a number of able persons as members. However, the Council, as its name implies, has only an advisory capacity, and since its founding the Board and Directors of the Department have done little to implement and put into use the sound recommendations made by the Council in its various reports on such matters as the availability of business financing, the impact of our tax structure on industrial growth, marketing of seafood and other products, forest resources, productivity of Virginia labor, public welfare, water resources, mineral resources, travel trade, etc.

In summing up the problems and opportunities presently confronting our state and making recommendations for their solution, as far as the state government's part is concerned, this Commission recognizes that in Virginia we have many advantages to offer existing firms considering expansion here and also outside businesses considering new locations in this general area. However, in the great majority of cases, a company considering a move or an expansion has several choices, and our state must be in a position to call to the attention of such an interested party Virginia's possibilities. Once the interest has been aroused, a coordinated program on the part of the state and local agencies as well as private enterprise must make available the necessary data and information needed by the prospect before an intelligent decision can be reached. Up to the present, both our promotional activities and our fact finding services have been limited by the general lack of public and executive support outlined above and the resulting inadequate funds voted by the legislature.

In this connection, it is important to remember that Virginia has twenty counties that lost population in the years between the U. S. Censuses of 1930 and 1950 while the state as a whole gained, and that eighty counties today are receiving more in state and federal grants in aid than they obtain in local revenues from their own citizens (see Exhibit 9). This is an unhealthy and undesirable situation that we believe can best be changed by the establishment of sound new businesses in these areas that will pay their own way and provide opportunities for new jobs for the residents there. This unsound situation is particularly acute in many parts of the area between Tidewater and the Blue Ridge Mountains and to some extent in the far western and southwestern sections of the state, but in our opinion there is no area in the state which cannot and will not benefit from sound business development.

This Commission does not assume that a well-rounded and fully effective program of industrial development for Virginia can or should be built exclusively around the state government's activities in this field, but rather it believes wholeheartedly in the necessity for close cooperation and coordination of related efforts on the part of the state government with those of trade organizations such as the state and local chambers of commerce, the utilities and railroads, the banks, and other business interests. However, we are of the opinion that the state government should set the pace in its emphasis on the essential nature of these activities through financing of an effective state industrial advertising program, through its provision of the basic data necessary to a sound economic development program, and through the service of its Department of Economic Development (see Section 2 of this chapter) as a clearinghouse for information and coordinator of activities of this nature in Virginia. We want private enterprise and private financing to do just as much of this job as possible, but in our belief, interested leadership and participation by Virginia's government is essential to the success of a comprehensive program of economic and industrial development.

It is with these thoughts in mind that we recommend the following changes in the state's economic and industrial development activities. Accomplishment of these recommendations in themselves will not do the whole job, but we believe that it will result in more active support of the state's overall economic development program by top-level business leaders, by the public generally, and by the members of the Legislature who are normally responsive to the wishes of their constituents. This coupled with a more personal and active participation in these activities by our governors in the future cannot help but bring about the strengthening and expansion of a program that will benefit all parts of the state and all classes of its citizens.

2. Name of the Department—Department of Economic Development

We believe that maximum attention to the Department's main future function of heading and coordinating an effective program of general economic development for the state can be gained by its designation as Department of Economic Development. The activities of its six operating divisions are diverse, and until now each one has tended to go its own separate way. Change in the Department's name will not alter this situation by itself, but this will give to the Legislature, businessmen, and the public in general a much clearer idea of what this Commission feels the Department's principal mission should be.

3. Organization of Department of Economic Development

A) *Commission on Economic Development*

The general policies of Economic Development are to be determined by the Commission, consisting of 7 members, one of whom shall be designated on a per diem basis. The members of this Commission shall be ineligible for appointment to any other office, however, members of the Commission shall serve for terms varying in length, but no longer than one year thereafter one member shall be eligible for reappointment. The qualifications for members shall be experience in one or more of the following: agriculture, utilities, transportation, commerce, or industry. It is the objective that all of these members shall be experienced men for the time being, to be recommended by the Governor and requested by him from the Department of Commerce, the Virginia Manufacturers Association. By the Commission, nor for consideration in the statewide business organization, the activities of the new Commission shall be in future than they have in the past date.

The members of the Commission shall serve for one-year term, and meet at the call of the Chairman. The Department at least shall be authorized appropriations before they are made to the Board on the Budget. The Commission shall consist of non-salaried members (Commission members) to whom such committees are designated at the pleasure of the Commission.

The present Board of Economic Development shall continue in an advisory capacity to the Commission of the present individual members through their participation in the specialized activities of the Commission during its term.

Exhibit 6 provides a list of the various bodies and key personnel of the Department of Economic Development for purposes of the Commission.

(B) *Director of Economic Development*

The Commission shall have the authority to recommend to the Governor the Director of Economic Development. The Commission shall determine the salary of the Director. While the salary shall be determined by the Commission, it shall be subject to general appropriation by the General Assembly for the departments.

member that Virginia has between the U. S. Censuses, and that eighty council grants in aid than they (see Exhibit 9). This is believe can best be changed these areas that will pay new jobs for the residents in many parts of the state, but in our not and will not benefit

well-rounded and fully Virginia can or should be activities in this field, but for close cooperation and the state government with local chambers of commerce and other business interests. Government should set the these activities through ing program, through its and economic development ent of Economic Development house for information Virginia. We want private ch of this job as possible, rticipation by Virginia's mprehensive program of

recommend the following development activities. Ac- themselves will not do the ore active support of the a by top-level business nbers of the Legislature their constituents. This opation in these activities ring about the strength- eft all parts of the state

Economic Development

Department's main future program of general eco- y its designation as De- ties of its six operating as tended to go its own e will not alter this situ- re, businessmen, and the is Commission feels the

development

A) *Commission on Economic Development*

The general policies and objectives of the Department of Economic Development are to be determined by a Commission on Economic Development, consisting of 7 members appointed by the Governor and compensated on a per diem basis and for travel expenses when on state business. The members of this Commission will serve for seven-year terms and be ineligible for appointment for more than two consecutive terms; however, members of the first board to be appointed July 1, 1958, will serve for terms varying in length from one to seven years with the result that thereafter one member of the Commission shall be appointed each year. The qualifications for membership shall include previous successful experience in one or more such fields of business as manufacturing, banking, utilities, transportation, retail or wholesale trade, travel, with the objective that all of these important Virginia categories of business provide experienced men for the Commission. Prior to the appointment of any members by the Governor, advisory lists of recommended persons shall be requested by him from such organizations as the Virginia State Chamber of Commerce, the Virginia Bankers Association, and the Virginia Manufacturers Association. By their responsibility to furnish names to the Governor for consideration in these appointments, we believe that these leading, statewide business organizations will feel a closer connection with the activities of the new Commission and will support its efforts more actively in future than they have the Board of Conservation and Development to date.

The members of the Commission will elect their own Chairman for a one-year term, and meet at regular intervals of not over two months, or at the call of the Chairman. They will review fully the general policies of the Department at least once annually, and also pass on requests for appropriations before they are submitted to the Governor and his Advisory Board on the Budget. The Commission may appoint advisory committees of non-salaried members (to be reimbursed in a manner similar to the Commission members) to work with individual Divisions of the Department, if such committees are deemed desirable, and these committees shall serve at the pleasure of the Commission.

The present Board of Conservation and Development should continue in an advisory capacity to the new Commission until such time as the terms of the present individual members of the Board expire. These Board members through their considerable experience, especially in several of the specialized activities of the Department, can be most helpful to the Commission during its early years.

Exhibit 6 provides an organization chart of the proposed Department of Economic Development and shows how the responsibilities of the various bodies and key personnel are related. This Exhibit also provides an organization chart for the present Department of Conservation and Development for purposes of comparison.

(B) *Director of Economic Development*

The Commission shall appoint a full-time salaried Director of Economic Development to administer the activities of the Department of Economic Development. The Director shall serve at the pleasure of the Commission and shall carry out the policies of the Department as determined by them. While he is responsible directly to the Commission, his salary shall be determined by the Legislature's Appropriation Act, and he shall be subject to general regulations covering all state agencies and departments.

This procedure for selecting an administrator is presently being followed by the Virginia State Ports Authority and also by the Connecticut Development Commission, and in both instances it has been extremely satisfactory. The desirable characteristics and responsibilities of the top administrator of all three bodies are similar in calling for professional competence and reasonable security of his tenure when a satisfactory performance is given.

The man selected for this key position should have a record of proven experience in the economic development field with governmental agencies, trade organizations, or private business, and he should have some acquaintance with the work of two or more of the operating Divisions of the Department.

C) *Overall Supervision of the Department of Economic Development*

From the beginning of the Department of Conservation and Development in 1948 to date, its six diverse and rather heterogeneous operating Divisions have largely gone their separate ways with little coordination and regard for a statewide development program. We believe that more adequate coordination of these activities in the Director's office is necessary and desirable, but we recognize that it is difficult for one man to supervise properly these six diverse operations and even to have a thorough knowledge of them. To do this efficiently, additional personnel in the Director's office should be provided in order to plan for closer cooperation within the department between such Divisions as Forestry and Industrial Development, or Mineral Resources and Industrial Development. Also, there appear to be important opportunities for close cooperation between this Department and the Department of Agriculture in developing new uses for and methods of processing present or future farm products of the state. Similarly, Industrial Development can benefit from closer connections with such an agency as the Virginia State Ports Authority which has employees located in other states and abroad, and is constantly promoting new trade through the Virginia ports. Furthermore, closer co-operation between economic development activities and our educational agencies is vitally necessary, since adequate school and college facilities are essential for attracting new businesses or expanding established ones. In like manner, technical and research facilities are of great importance to many industries, and where these are now unavailable, they can be promoted most effectively in the future by cooperative efforts. To provide for this closer cooperation within and without the Department, we recommend that two additional staff positions be provided in the Director's office in the fiscal year 1958-59 and a third such job in 1959-60.

D) *Divisional Arrangements*

The six present operating divisions of the Department, Forestry, Mineral Resources, Parks, Planning and Economic Development, Public Relations and Advertising, and Water Resources, should be continued in the main with their present responsibilities with one exception.

The old Division of Planning and Economic Development should be divided, with a new Division of Planning and Research being assigned the function of cooperation with local and regional planning organizations in addition to handling the preparation of data and statistics for a new Division of Industrial Development and other Divisions or agencies, public or private, that may have need of planning and research services. The new Division of Industrial Development should be responsible for carrying out

all phases of our state program activities will be:

1) to prepare with the advertising an aggressive and an expansion of present

2) to provide a clear advertising program and inquiries,

3) to make available commerce, and other private regarding sites, natural and

4) to spearhead program the location of new in Virginia.

In order to carry out the personnel must be professional ranges reasonably in line with private industry. Our visits to the bottom of the list in salaries for those employed as in more responsible capacities. Personnel Department's presence other states and able to secure

The new positions requested Development in its request to development in July, 1957 (see reasonable to our Commission Board on the Budget and the proposed new Divisions are to important functions mentioned agency. Limited personnel to process its present inquiries was awaiting attention given justification for the Virginia a somewhat similar clearinghouse. This duplication of efforts can are adequately supported, and Virginia's overall industrial development proposed Division of Industrial a successful program for the it be manned with capable and efficiently and present intelligence collected by several other Divisions sources, Planning and Research accurate and complete statistics effectively and promptly to responsibility should fall on the in conjunction with private utilities, development corporations

The Divisions of Water and vitally connected with an

ator is presently being fol-
and also by the Connecticut
nces it has been extremely
d responsibilities of the top
calling for professional com-
e when a satisfactory per-

uld have a record of proven
with governmental agencies,
he should have some ac-
the operating Divisions of

Economic Development

Conservation and Develop-
er heterogeneous operating
ays with little coordination
am. We believe that more
e Director's office is neces-
is difficult for one man to
ions and even to have a
iently, additional personnel
order to plan for closer co-
Divisions as Forestry and
es and Industrial Develop-
opportunities for close co-
partment of Agriculture in
sing present or future farm
development can benefit from
Virginia State Ports Author-
es and abroad, and is con-
rginia ports. Furthermore,
ent activities and our edu-
quate school and college fac-
es or expanding established
facilities are of great im-
e now unavailable, they can
cooperative efforts. To pro-
without the Department, we
e provided in the Director's
a job in 1959-60.

the Department, Forestry,
nomic Development, Public
ces, should be continued in
ch one exception.

nic Development should be
Research being assigned the
l planning organizations in
d statistics for a new Divi-
sions or agencies, public or
research services. The new
esponsible for carrying out

all phases of our state program in this field. Some of its most important activities will be:

- 1) to prepare with the Division of Public Relations and Advertising an aggressive and effective industrial advertising plan involving an expansion of present small but sound efforts,

- 2) to provide a clearinghouse for inquiries coming from the advertising program and other sources, and to follow up on these inquiries,

- 3) to make available in conjunction with localities, chambers of commerce, and other private or public groups, the basic information regarding sites, natural resources, labor supply, etc. to such prospects, and

- 4) to spearhead programs throughout the state aimed to encourage the location of new industry or expansion of existing plants in Virginia.

In order to carry out these assignments effectively, this Division's personnel must be professionally qualified, and must be offered salaries in ranges reasonably in line with those offered by competing states and private industry. Our visits to six other states showed Virginia ranked at the bottom of the list in salaries for key personnel in this work, and salaries for those employed as Industrial Development Representatives and in more responsible capacities must be advanced several places on the Personnel Department's present scales, if we are to be in line with these other states and able to secure and keep properly qualified men.

The new positions requested by the Division of Planning and Economic Development in its request to the present Board of Conservation and Development in July, 1957 (see Exhibit 10) for the coming biennium appear reasonable to our Commission and should be approved by the Advisory Board on the Budget and the Legislature, if either the old Division or two proposed new Divisions are to be able to do an effective job in the four important functions mentioned above for the new Industrial Development agency. Limited personnel now makes it impossible for the old Division to process its present inquiries efficiently and promptly (a backlog of 66 inquiries was awaiting attention in July, 1957), and this situation has given justification for the Virginia State Chamber of Commerce to provide a somewhat similar clearinghouse and promotional program for the state. This duplication of efforts can be eliminated, if the state agency's activities are adequately supported, and a present source of some friction in Virginia's overall industrial development program will be eliminated. The proposed Division of Industrial Development, in our opinion, is the key to a successful program for the whole state, and it is therefore essential that it be manned with capable and experienced people, for they must process efficiently and present intelligently to industrial prospects the data collected by several other Divisions including Mineral Resources, Water Resources, Planning and Research, and Forestry. However, the most accurate and complete statistics will not suffice, if they are not presented effectively and promptly to prospects interested in Virginia, and this responsibility should fall on the Division of Industrial Development, working in conjunction with private groups, the chambers of commerce, railroads, utilities, development corporations, etc., as well as local governing bodies.

The Divisions of Water Resources and Mineral Resources are closely and vitally connected with an adequate program of industrial development,

since reliable data on these important natural assets is essential to sound economic planning. In Water Resources it is encouraging to see that the growing importance of this work has been recognized in substantially increased appropriations by the last session of the Legislature, and the present Commissioner of Water Resources believes that appropriations recommended for the biennium, 1958-60, will be adequate to continue an effective program, if salary ranges for certain key positions now authorized but unfilled, are increased somewhat (see Exhibit 11). The other change recommended here is that the Ground Water Investigatory Program be returned to this Division from Mineral Resources where it was transferred by Administrative action in July, 1957 after a year under the direction of the Water Resources Division. An adequate plan for collecting data on ground and surface water as well as quality of water is of the greatest importance to our agricultural programs and urban planning, in addition to industrial development, but it is vitally necessary to this last project, for industry is by far the greatest user of water in Virginia. Finally, it must be understood that if our Legislature determines that it is wise to handle our Water Resources program on our own rather than on a cooperative basis with the United States Geological Service (as most other states do), the cost will be higher in state funds absorbed directly and competent personnel must be provided to do these essential jobs.

The Division of Mineral Resources in recent years has been understaffed and its program inadequate largely as a result of very small funds being made available, but a new Commissioner has brought new life to its activities. The appropriation requests approved by the Board of Conservation and Development for this Division for the 1958-60 biennium will result in its funds being nearly doubled over those provided currently, despite the shift of \$30,000 annually to Water Resources for the Ground Water Investigatory Program, which this Commission (as mentioned above) believes should be continued with the other water programs. The essential up-to-date statistics, data, and maps on Virginia's minerals have been woefully lacking in recent years, but the newly rejuvenated activities of this Division should remedy this situation within a reasonable time, we believe, if the Legislature grants the appropriation requests as made.

Also, under this Division is responsibility for the state's topographic mapping activities, which are carried on through a cooperative program with the federal government. Here the Board of the Department has recommended an increase of 71% in the funds for this work in the next biennium, and we concur in this recommendation. Exhibit 12 gives a summary of the state's progress in topographic mapping until the fall of 1957, and clearly indicates that while a large area of the state has now been covered, the scale of only one-third of these maps is suitable for use in industrial planning and selection of plant sites. Therefore, the increased appropriations mentioned above can be used to good advantage.

The Division of Public Relations and Advertising has performed a valuable staff function for industrial development in preparing advertisements for influential newspapers, magazines, and other suitable media to the extent of funds provided for this purpose. Our recommendation here is that the funds recommended by the Board of the Department for the next biennium be increased from \$50,000 to \$100,000 annually, only if the requested additional personnel for the present Division of Planning and Economic Development (proposed Division of Industrial Development) are provided, since, as described above, the present staff in this processing Division is unable to keep up properly with inquiries resulting from the currently much smaller promotional efforts. These two divisions are to be com-

mended for sponsor efforts of many opportunities, including t Commerce, public u trademark (The Big advertisers to suppl of the other states t cooperative promotio advertising, funds f available for industr very enthusiastic su sentation on the B recommend any char and Advertising, if s since the present sta volume of industrial

Another Division for lumbering, pulp a one of Virginia's la tunities for growth, ly with this Divisio Conservation and De present are much m already, and the shar sion has been consi General Fund monies is recommending tha mission makes no ax tions recommended b are justified for prog then similar increase of industrial and econ

The final operati activities of this De Public Relations and racial equality and r large question mark a the opinion of our Co ly enough to the other to be reconstructed t does it fit well into Certainly Parks shou recommend that its s new Commission mal sonable period for be

4) Appropriations Recommendations Recommended

The Commission Conservation and D Governor's Advisory priations for some o biennium 1958-60. T the Department for t requests recommende

assets is essential to sound encouraging to see that the organized in substantially in the Legislature, and the believes that appropriations adequate to continue an key positions now authorized (Exhibit 11). The other Water Investigatory Project Resources where it was 1957 after a year under the an adequate plan for collection as quality of water is of farms and urban planning, tally necessary to this last ser of water in Virginia. nature determines that it is our own rather than on a cal Service (as most other absorbed directly and commensal jobs.

ent years has been underresult of very small funds has brought new life to its ed by the Board of Conservation the 1958-60 biennium will use provided currently, deResources for the Ground Commission (as mentioned her water programs. The a Virginia's minerals have wly rejuvenated activities chin a reasonable time, we ion requests as made .

for the state's topographic h a cooperative program d of the Department has for this work in the next . Exhibit 12 gives a summping until the fall of 1957, f the state has now been aps is suitable for use in Therefore, the increased good advantage.

vertising has performed a nt in preparing advertise- ed other suitable media to Our recommendation here f the Department for the 0,000 annually, only if the Division of Planning and Industrial Development) are aff in this processing Divi- esulting from the current- o divisions are to be com-

mended for sponsoring an excellent idea for coordinating the advertising efforts of many organizations advertising Virginia's industrial opportunities, including the State government, the Virginia State Chamber of Commerce, public utilities, railroads, and banks by the use of a common trademark (The Big "V") and scheduling the insertions of these various advertisers to supplement, rather than conflict with, each other. In none of the other states that we visited did we find an example of such effective cooperative promotion. In addition, this Division also handles tourist trade advertising, funds for which have been eight to ten times larger than those available for industrial promotion, largely as a result of the travel trade's very enthusiastic support of these appropriations and their capable representation on the Board of Conservation and Development. We do not recommend any change in this dual role of the Division of Public Relations and Advertising, if sufficient funds are provided for industrial promotion, since the present staff of the Division can handle the recommended larger volume of industrial advertising.

Another Division that touches on industrial development is Forestry, for lumbering, pulp and paper mills, and timber producers constitute today one of Virginia's largest industries. There are still considerable opportunities for growth, but the industry group has always worked very closely with this Division and been very ably represented on the Board of Conservation and Development. Consequently the Division's activities at present are much more fully developed than those of several mentioned already, and the share of the Department's total funds going to this Division has been consistently larger than those for any other agency (in General Fund monies the present Board of Conservation and Development is recommending that Forestry receive one-third of the total). Our Commission makes no argument against the sizeable increases in appropriations recommended by the Board for Forestry, but does feel that if they are justified for programs benefiting and supporting this single industry, then similar increases in funds clearly are needed for an overall program of industrial and economic development covering all types of business.

The final operating Division, Parks, has no direct relation to the other activities of this Department except as far as tourist promotion under Public Relations and Advertising is concerned. Present questions about racial equality and rights that are pending in the federal courts leave a large question mark about the future of our State Parks and their use. In the opinion of our Commission this Division's activities do not relate closely enough to the other major activities of this Department as we propose it to be reconstructed to justify its retention, but at the same time neither does it fit well into any other Department's activities to our knowledge. Certainly Parks should not be made a separate, new department, so we recommend that its status remain unchanged for the present, and that the new Commission make suggestions on its future supervision after a reasonable period for becoming familiar with it.

4) *Appropriations Necessary for Carrying Out Organizational Arrangements Recommended*

The Commission was very pleased to learn that the present Board of Conservation and Development had determined to recommend to the Governor's Advisory Board on the Budget substantial increases in appropriations for some of the Divisions of the present Department for the biennium 1958-60. The appropriations for each of the main activities of the Department for the fiscal years 1952-53 and 1957-58 together with the requests recommended by the Board of Conservation and Development to

the Advisory Board on the Budget for the biennium 1958-60 are shown in Exhibit 13. Also shown in this exhibit are the recommendations of our Commission where these differed from those of the Board. The main points of difference come in the appropriations which we recommend for the present Division of Planning and Economic Development and which would amount to an increase of approximately 71% for the first year of this coming biennium and 75% for the second year. These appropriations of \$225,000 and \$230,000 respectively, however, are still less on a dollar basis than the amounts made available in each of the six other states which we visited with the exception of Alabama. When we compare our appropriations on a per capita basis with Alabama as seen in Exhibit 8, Virginia's appropriations as recommended will be approximately in line with those of Alabama. As mentioned above, we believe that this Division is the cornerstone of a successful industrial development program in the state, and adequate personnel and salaries are essential if overall success is to be achieved. A list of the new positions recommended is included in Exhibit 10 and includes:

- 2 Industrial Development Representatives
- 1 Community Planning Technician
- 1 Assistant Regional Administrator
- 2 Clerk-Stenographers "C"

Provision for special payments of \$10,000 annually are also recommended. Salary upgrading of several existing positions was felt to be essential and is covered in this exhibit, since our subcommittee visiting other states found the salaries of key personnel in Virginia industrial planning to be less than those in any other state visited, and of course, substantially less than those for personnel doing similar work in private industry.

We feel additional funds are justified in the appropriations for Public Relations and Advertising, and recommend that \$100,000 annually be spent on industrial advertising as compared with \$25,000 each year in the present biennium and \$50,000 annually recommended by the Board of Conservation and Development. We believe that the requests resulting from such an increased advertising program can be handled by the larger staff in the Division of Industrial Development as recommended, and we call attention to the fact that North Carolina appropriations for their industrial advertising in the current fiscal year are approximately \$90,000.

Our recommendations for the appropriations for Mineral Resources and Water Resources are the same as those made by the Board of Conservation and Development with the exception of \$30,000 each year shifted from Mineral Resources to Water Resources.

We also suggest as outlined in Section 3(C) of this Chapter the necessity for additional staff personnel in the administration of this Department. Two additional positions are provided in our request for the first year of this new biennium and a third position in the second year. The increases over those recommended for this function by the Board of the Department are nominal (\$17,650 and \$27,650 respectively for the first and second year of the 1958-60 biennium).

The appropriation figures suggested here are comparable to those of other states which have similar programs both on a per capita basis and on a basis of the dollars of appropriations under consideration. These facts are clearly established by Exhibit 8 giving a comparison of expenditures for various activities, in dollars and also in per capita cost, by Virginia and the six states visited, which we believe to be reasonably

typical of all states and their development programs.

In the field of appropriations for Planning, at the bottom of the list, is spending three times as much as Pennsylvania more than on a per capita basis the Virginia is out of line being only one-third that of West Virginia, and only one-half that of North Carolina. Any reasonable figure would attract industry.

Virginia's per capita expenditures are almost the same as Kentucky and West Virginia respectively, higher than

5) Summary on Organization

We believe that there is a possible opportunity for the Department to be promoted at the present time meets several important

- 1) The key positions as far as practical are promoted by a position of political qualifications a man of marked qualifications
- 2) The proposed revision gives this position, and promotes the Department.
- 3) The proposed lists submitted greater participation in future by the
- 4) The workable will attract capital to the extent than the Board of Conservation
- 5) No new agencies necessary already being the Department. tion of these agencies
- 6) No large increase is contemplated
- 7) Increased interest in individuals in the interest by the to a large degree

he biennium 1958-60 are shown in
are the recommendations of our
those of the Board. The main
riations which we recommend for
Economic Development and which
imately 71% for the first year of
second year. These appropriations
however, are still less on a dollar
e in each of the six other states
Alabama. When we compare our
ith Alabama as seen in Exhibit 8,
ded will be approximately in line
above, we believe that this Division
ustrial development program in the
ies are essential if overall success
itions recommended is included in

representatives
ician
rator

00 annually are also recommended.
itions was felt to be essential and
ubcommittee visiting other states
Virginia industrial planning to be
d, and of course, substantially less
work in private industry.

stified in the appropriations for
recommend that \$100,000 annually
mpared with \$25,000 each year in
ally recommended by the Board of
elieve that the requests resulting
gram can be handled by the larger
elopment as recommended, and we
rolina appropriations for their in-
l year are approximately \$90,000.
ropriations for Mineral Resources
those made by the Board of Con-
ception of \$30,000 each year shifted
rces.

ection 3(C) of this Chapter the
in the administration of this De-
e provided in our request for the
third position in the second year.
for this function by the Board of
d \$27,650 respectively for the first
n).

d here are comparable to those of
ns both on a per capita basis and
tions under consideration. These
it 8 giving a comparison of ex-
ars and also in per capita cost, by
hich we believe to be reasonably

typical of all states east of the Mississippi River in their industrial develop-
ment programs.

In the field of industrial development alone as measured by appro-
priations for Planning and Economic Development Agencies, we are at
the bottom of the list, as measured by dollars spent and actually Kentucky
is spending three times as much, and Connecticut, North Carolina, and
Pennsylvania more than double what we are appropriating. On a per
capita basis the Virginia outlays for industrial development are even more
out of line being only one-fourth of those of Connecticut, Kentucky, and
West Virginia, and one-half those of our important neighbor and competi-
tor, North Carolina. By either measure Virginia's outlays are far below
any reasonable figure as related to the financial effort of other states to
attract industry.

Virginia's per capita cost for all of the activities of the Department
are almost the same as those of the other states with the exception of
Kentucky and West Virginia, where their expenditures are 45% and 80%
respectively, higher than in Virginia.

5) Summary on Organization of Department of Economic Development

We believe that the organization outlined above will provide the best
possible opportunity for a well-rounded program of economic development
to be promoted at the government level in Virginia. In our opinion, it
meets several important tests:

- 1) The key position of Director of Economic Development is removed
as far as practicable from political influence through his appoint-
ment by a policy-making Commission, and certainly this elimina-
tion of political considerations is necessary in a job that requires
a man of marked ability and experience in a field when professional
qualifications are important.
- 2) The proposed method for appointing the members of the Commis-
sion gives this body maximum insulation from political considera-
tions, and provides for reasonable continuity in the policies of the
Department.
- 3) The proposed plan for appointing Commission members from
lists submitted by three leading business organizations will bring
greater participation in and support of the Department's programs
in future by these influential groups.
- 4) The workable size of the Commission and its policy-making powers
will attract capable businessmen to serve as members to a greater
extent than the composition and functions of the present Advisory
Board of Conservation and Development.
- 5) No new agency or department is suggested, since the main func-
tions necessary in a sound economic development project are
already being handled by the individual divisions of the present
Department. However, a more effective orientation and coordina-
tion of these activities is made possible by the new plan.
- 6) No large increase in state funds appropriated for these activities
is contemplated or necessary in our opinion.
- 7) Increased interest and participation by business groups and in-
dividuals in the new programs will help to stimulate heightened
interest by the Legislature and Governor, which has been lacking
to a large degree compared to conditions in other states.

D. *The Office of the Governor and Industrial Development*

One of the points which made a very strong impression on the members of our subcommittee visiting six other states was the potent advantage enjoyed by some of them in the active and enthusiastic support given their industrial development efforts by their governors. In these cases the chief executives apparently realized fully the tremendous advantages to be gained for their people by encouraging industry already located there to grow and prosper and new productive enterprises to settle there. The personal touch and influence of these governors was evident in many ways:

- 1) in the ability and standing of men appointed to their industrial boards or development commissions,
- 2) in the governor's membership on an ex officio basis on these bodies,
- 3) in the qualified personnel working on a full-time basis in the agencies involved,
- 4) in the reasonably adequate financing recommended and obtained from the several legislatures for these agencies,
- 5) in the new ideas and programs sparked by these governors, and
- 6) in the personal selling done by these governors, both inside and outside their own states, of the industrial opportunities there.

The way in which a governor can effectively back his state's efforts of this nature, however, cannot be pinpointed, for they are as diverse and varied as the personalities of the men involved. We found in North Carolina Governor Hodges pushing through major tax revisions for the first time in twenty years in order to make his state more attractive to national manufacturers; sponsoring, addressing, and spending a full morning at an industrial development rally of 350 businessmen from all over his state; and acting as his state's number one salesman in newspaper advertisements, television broadcasts, and personal visits in the country's business centers. (See Exhibit 26) We found in Kentucky Governor Chandler at the beginning of his term revamping completely and strengthening that state's economic development program and personnel, encouraging top business leaders to join his development team, and making personal visits and telephone calls to important prospects beyond Kentucky's borders. We found in West Virginia that Governor Marland had adopted the unusual device of securing a firm of top business consultants to look over his state's assets and potentialities at a time when the principal industry was sick, and then had followed this with a personal selling tour of fifteen or twenty important cities across the country, to call to the attention of businessmen the facts and figures on West Virginia's possibilities; incidentally, some of the greatest interest came in visits in California from firms considering eastern branch plants.

Some of the techniques or methods used by these executives in other states may well be unsuitable for application in Virginia, but we believe they illustrate the variety of ways in which real interest by a governor can be expressed in industrial development. But certainly in every case the particular state's economic progress was advanced by these diverse efforts and its advantages publicized over the whole country.

Yes, the governor may put the imprint of his personality and interest on industrial development in innumerable ways, or he can stamp it with

his lack of personal interest through failing to see the potential advantages, or at least through doing little about them. Here in Virginia our governors for the past ten years have admittedly been concerned with other momentous matters and what has been accomplished in industrial development has come about largely without their active interest and support. But Virginia's businessmen concerned directly with industrial development have been looking and hoping for active participation and leadership by our executives in our industrialization efforts as shown by the reference in a letter from an official of the Atlantic Coast Line Railroad that is included in Exhibit 17. Also as an example, Exhibit 8 shows that Virginia's appropriations for industrial development are substantially lower in dollars than those in any of the states we visited and further out of line if costs are compared on a per capita basis, although no Virginia governor has been disappointed in recent years in his requests to the legislature for funds for programs which he plainly indicated were of major importance in his opinion.

From our observation it is difficult for any state to have a really effective program in this field without the active support of the executive, and we earnestly commend to future governors of Virginia the splendid fruit to be gained from vigorous cultivation of this field.

E. Close Cooperation Programs

We believe that a close cooperation between the state is necessary for the development of industry, but at the same time we believe that it can be accomplished by the active cooperation of companies, local and state organizations, and local governments.

In several of the states we visited, cooperation by the various formal organizations of the state in industrial development, such as chambers of commerce, banks, etc. In Kentucky, for example, in order to devise ways of increasing industrial activities and to exchange information, these groups make frequent visits by groups of industrialists to their state grounds. Such an information exchange is the Commission of Economic Development's policies and

Furthermore this cooperation is authorized by no statute or law, but is effective in coordinating industrial cooperative advertising by the State Division of Industrial Development with the Division of Labor and the Chamber of Commerce, as well as our principal budget for industrial activities of establishing the Big Business Directory, advertisements of our state magazines, newspapers,

This initial, joint cooperation by the principal organizations in development efforts, gives such a working committee, those who are

to see the potential advancement. Here in Virginia our people have been concerned with accomplishing in industrial development their active interest and support with industrial development participation and leadership efforts as shown by the re-lantic Coast Line Railroad example, Exhibit 8 shows that efforts are substantially lower visited and further out of focus, although no Virginia in his requests to the legislature indicated were of major

state to have a really effective support of the executive, and Virginia the splendid fruit field.

E. Close Cooperation Between Government and Private Organization Programs

We believe that a well directed and reasonably financed program by the state is necessary for Virginia's full economic potential to be realized, but at the same time we recognize that much of the overall job must be accomplished by the active participation of private individuals and companies, local and state chambers of commerce, local development corporations, and local governing bodies.

In several of the states that we visited we found that this active cooperation by the various groups involved was best promoted by an informal organization composed of key individuals actually engaged full time in industrial development work for the state, cities and counties, chambers of commerce, development corporations, utilities and railroads, banks, etc. In Kentucky and Connecticut such a group meets regularly in order to devise ways to carry out an overall program of development activities and to exchange information and ideas of common interest. Furthermore, these groups have sponsored such worthwhile projects as visits by groups of industrial prospects, consultants, newsmen, financiers and others to their states for the purpose of telling their stories on home grounds. Such an informal working group can be very helpful to the Commission of Economic Development in carrying out or revising the Department's policies and plans.

Furthermore this committee, although informal in nature and authorized by no statute or official act of the state government, can be most effective in coordinating and planning in future the already successful cooperative advertising program on industrial development carried on by the State Division of Public Relations and Advertising (in conjunction with the Division of Planning and Economic Development), the State Chamber of Commerce, the railroads and utilities serving Virginia, as well as our principal banks. Within the limits of a rather meager state budget for industrial advertising, this group has done a creditable job of establishing the Big "V" of Virginia as a common trademark in advertisements of our state's industrial opportunities to readers of national magazines, newspapers, and other publicity media.

This initial, joint venture of an informal nature in the field of cooperation by the principal public and private groups involved, in Virginia's development efforts, gives excellent promise of the future usefulness of such a working committee of Virginia's own experts on industrial development, those who are engaged in it full time.

F. *Industrial Development Activities of Private Firms, Individuals and Non-Governmental Agencies*

It is significant that industrial development programs have been conducted in Virginia for many years, notably by the railroads and the electric utilities. In recent years, local chambers of commerce have become more active; some of the larger chambers now have full-time industrial managers; many, including the smaller communities, have organized Industrial Development Corporations, or similar organizations, and some have acquired plant sites and have erected buildings for lease. The State Chamber of Commerce's Industrial Division assists the local chambers of commerce and coordinates their efforts. Active organizations in addition to the chambers of commerce include the gas utilities, the natural gas pipe line companies, the Peninsula Industrial Committee at Newport News, the Tidewater Virginia Development Council of Norfolk, the Roanoke Valley Development Corporation at Roanoke, and others.

It is also significant that the various organizations have cooperated, and when desirable have pooled their efforts to attract and secure new industries. A comprehensive idea of these programs can be obtained from a careful perusal of Exhibits 14 through 18, so the following comments will be confined to a discussion of how the various programs may be coordinated even more effectively in future in order to utilize to the fullest the available personnel and resources.

It should be pointed out that with the exception of the State Department of Conservation and Development and the State Chamber of Commerce, each company or agency operates in only a part of the state. It quite naturally follows that much valuable information has been assembled by these organizations for their specific areas of interest.

Their efforts have stimulated the State Department of Conservation and Development to initiate and collect additional information and one example is the County Economic Data Survey, which is now available for each county in the State. These data are used in Industrial Site Surveys which are prepared by the Virginia Electric and Power Company and also by the State. These compilations have proved very valuable to the various communities in preparing for industrial growth and also in negotiating with industrial prospects. Another useful project for the State Division of Planning and Economic Development (or proposed Industrial Development Division) is to gather from organizations, businesses, and individuals a list and description of vacant buildings suitable for industrial use, so that these will be ready to review with any prospect that will consider an existing structure.

How to work together most effectively and make the best use of all available information is of the greatest importance. It is, in fact, the most important of all questions involved in a successful statewide development program. It is our considered opinion that teamwork is the key to desirable progress in this field for Virginia and will result in the maximum effectiveness for the efforts of all groups involved.

Large industry seeking a site has more or less definite requirements in mind and usually sets up its own "ground rules". These in turn indicate a definite area of interest. Within the limits of the prospect's own conditions and wishes coordinated efforts of all interested parties are needed to assist the prospect so that he will locate in this area. The effectiveness of this teamwork has been demonstrated in the past by our record of new industries secured and in a number of cases an industry finally selected

a site in Virginia, even though this was located outside of the area first chosen. In the final analysis, the community under consideration must sell the prospect, for a desirable industry is not going to move to a location where it is not wanted. It wants to be a good neighbor and citizen—and to be welcome. Members of the staffs of various development agencies as well as of the State Chamber's Industrial Division, the utilities, railroads, etc. have spent considerable time advising local organizations how to prepare for industrial inquiries and to receive a prospect.

With economic conditions in the rural areas seriously affected by the lower prices for farm products and small acreage quotas for staple crops because of the crop control program, more rural communities are seeking industries and need guidance and assistance in their efforts.

Information prepared by the State and other organizations has been exchanged to good advantage, since the preparation of all of the essential data on all localities and areas required would be too large a task for any single group.

Advertising in national publications by the State and several private organizations has been coordinated since 1956. A common symbol or trademark for these advertisements, the large "V", has been used in most of these insertions and a definite continuity of program and heightened impact for all gained thereby. An even greater use of the "V" symbol by more organizations and a further coordination of advertising is needed to assure maximum effectiveness. It is recommended that a well organized promotional plan be developed for presenting Virginia as the best place to locate new industry, a plan in which all interested organizations including Virginia industries can participate. To be effective, such a plan should have the close cooperation of the Virginia Press Association and the Virginia Broadcasters Association.

At the state level for many years prior to 1950 the Virginia State Chamber of Commerce acted as the main coordinating agency for industrial development activities in Virginia, since during those years the state government took no active part in the solicitation of new industry. During these years the State Chamber's contribution in this field was extremely important to the growing industrialization of the state, and the foresight and energy of its leaders are to be greatly commended. It is definitely the opinion of this Commission that the State Chamber can and should continue to be of material assistance to the overall program of economic development proposed for Virginia. The job in question is a large one, and there is room for all interested groups, public and private, to make valuable contributions to the overall objective of a better balanced economy for the state as a whole.

It is suggested that the State Chamber of Commerce, as in the past, be the central agency for preparing annually a listing of all manufacturing plants in Virginia, and that it include the name of such companies, their locations, products, approximate costs of construction, numbers of employees, and estimated annual payrolls. The Chamber's service in making this annual manufacturing summary available is valuable to the cause of industrial development.

Since the formal organization of its Industrial Division in 1950 the State Chamber has engaged actively in the solicitation of new industry on a statewide basis, though it has been limited by its budget to making only one staff member available full time in this capacity. Over the same period the State Division of Planning and Economic Development has likewise been handicapped in its industrial development activities by inade-

quate personnel and fin. to supplement each oth
ginia has been fortuna
of the state governmen
more, it is recognized
scribe the way in whi
quiries, and there are
a reasonable coordinati
requests for informati

As a general rule, creating an industrial plan people must be utilized private organizations we recommend here on that the state's overall aggressive and effective i-

Competition for in-
active. Most of the ad-
tofore, aggressive deve-
cooperate closely. Indu-
is any discord or lack of
from these and other
happier climate.

Virginia must have
industry. It is the old

d outside of the area first under consideration must go to move to a location neighbor and citizen—and as development agencies as ion, the utilities, railroads, local organizations how to prospect.

s seriously affected by the ge quotas for staple crops al communities are seeking their efforts.

ner organizations has been ation of all of the essential be too large a task for any

e State and several private 6. A common symbol or "V", has been used in most f program and heightened er use of the "V" symbol on of advertising is needed ended that a well organized Virginia as the best place interested organizations in- be effective, such a plan nia Press Association and

o 1950 the Virginia State ordinating agency for in- ce during those years the licitation of new industry. ribution in this field was ation of the state, and the greatly commended. It is the State Chamber can to the overall program of The job in question is a rous, public and private, ective of a better balanced

Commerce, as in the past, sting of all manufacturing of such companies, their ruction, numbers of em- mber's service in making s valuable to the cause of

erial Division in 1950 the ation of new industry on ts budget to making only apacity. Over the same nic Development has like- ment activities by inade-

quate personnel and financing, and in this way the two groups have tended to supplement each other in their efforts. During these lean years Virginia has been fortunate to have its rather meager program on the part of the state government supported by that of the State Chamber. Furthermore, it is recognized that no agency, governmental or private, can prescribe the way in which interested prospects will make their initial inquiries, and there are important advantages to be realized from having a reasonable coordination and unified control over the processing of such requests for information and service.

As a general rule, no one individual alone is ever responsible for locating an industrial plant. On the contrary, the combined efforts of many people must be utilized. One of Virginia's strongest assets is that many private organizations work harmoniously in industrial development, and we recommend here only further coordination of their efforts to the end that the state's overall development program may be increasingly aggressive and effective in future.

Competition for industry is keen and our neighbors are extremely active. Most of the adjacent states have larger budgets than ours heretofore, aggressive development programs, and their various organizations cooperate closely. Industry understandingly is wary of states where there is any discord or lack of teamwork, and often it is even trying to get away from these and other unfavorable conditions by seeking a healthier, happier climate.

Virginia must have a united front if it is to secure its share of new industry. It is the old story of teamwork winning!

G. *Adequacy of Present Financing for Industrial Development in Virginia*
Should A Statewide Industrial Development Credit
Corporation Be Organized In Virginia?

One of the primary factors determining the feasibility of any industrial growth is the availability of financing. We feel that in a great majority of instances, the financial needs of an expanding, established business or of a new enterprise should come from private sources. Naturally the question arises as to whether the necessary equity capital and bank credit can be secured, providing the enterprise seeking it is sound.

This Commission has investigated the results of several previous inquiries of this nature into the availability of such financing in Virginia, and has also considered the practices currently being used in a number of other states.

One form of partial financing, of course, is the exemption of new industry from local or other tax levies by a state or locality. We heartily approve the policy which Virginia established many years ago in denying the authority to grant such unsound inducements to new business, which we believe are unfair to existing taxpayers, both individuals and corporations. A number of deep southern states, including particularly Alabama and Mississippi, have made deceptively attractive the location within their state of enterprises that are often of a marginal and unsound nature. We believe that the type of industry which will benefit Virginia and which will have the best chance of sound growth and prosperity is not interested in such inequitable special inducements but prefers to pay its own way in whatever community it chooses for other sound business reasons.

Demand for Equity Capital in Virginia

The Advisory Council on the Virginia Economy in 1953 published a study entitled "Adequacy of Business Financing in Virginia". In its summary of findings the committee preparing this report stated that within the limitations of the survey the results "point rather clearly toward several facts". Among these was the conclusion "that the large majority of Virginia industries are able in one way or another to secure adequate financing". The report, compiled from information furnished on a questionnaire from both lenders and borrowers, indicated that there were some Virginia businesses, particularly manufacturing firms, which were unable to secure funds for expansion.

In a free market economy where the judgment of the investor is conclusive this inability on the part of some businesses to find adequate capital, and in particular adequate equity capital, will probably inevitably prevail. Much of the demand for capital in the form of long-term credit is frequently merely disguised demand for true equity capital in substance although the request is made for debt form.

Sixty per cent of Virginia's banks replied to the Advisory Council's questionnaire. Their responses showed that a surprisingly large number of them were bringing into play nearly every form of lending device to enable them to meet safely the loan needs of subprime business borrowers. Their efforts, however, were not sufficient to meet all demands for funds—no efforts ever will be. Some 27 banks gave information on 68 loans declined during the year, which amounted to \$1,070,450. These loans ranged in size from \$500 to \$100,000, the average size being \$15,700. Of the loans declined the survey reported:

A considerable number were for the purpose of purchasing plant and equipment. Such loans in many instances required long-term

financing and the enterprise stood in need of more equity than the applicant was putting into it . . . In some of these cases the banks were being asked to supply credit which should normally be obtained from other sources . . . The banks' summary appraisal of the loan requests brought forth the fact that 56 per cent of the declined loans were dependent on future earnings. Such loans, of course, normally carry a greater degree of risk than those repayable from a seasonal reduction in receivables and inventories.

Approximately 300 useable responses were received from 1,300 questionnaires sent to Virginia's established manufacturers. Of these, 41 respondents indicated that their inability to obtain desired financing had handicapped their business and resulted in an inability to expand. The response of this 14 per cent who claimed to be handicapped can be interpreted in two ways. If those who felt strongly about their ability to get adequate financing responded to the questionnaire in large numbers, then this figure of 41 respondents may be considered quite small in relation to the 1,300 questionnaires sent out, particularly when consideration is given to the fact that 1,000 did not respond. On the other hand, if the respondents from those who felt handicapped in securing financing was a light response, then these 41 respondents, or 14 per cent of the 300 total respondents, would be a cause for greater concern. After reviewing in detail the nature of the financing which these firms were unable to obtain, the Advisory Council concluded:

Securing equity capital and long-term capital loans seems to be the most serious financing difficulty facing many small-sized business enterprises. We have already noted that most of the respondents relied heavily upon the commercial banks to handle their short-term and intermediate credit needs and obtained their equity capital from individuals, both within and outside the family. Little resort was made to securing funds by the sale of stocks and bonds partly because these firms were not large enough to tap capital markets and partly because the present owners of these firms were unwilling to risk losing control over their enterprises through the sale of equity securities.

The small business enterprise is frequently in the dilemma that it can only obtain equity capital by plowing earnings back into the enterprise, yet present tax rates seriously retard the speed with which earnings of even a successful enterprise can be accumulated. Some of the respondents stated that both corporation and personal income taxes were limiting the funds available for business expansion as well as leaving such a small profit after taxes that there was no incentive for risking one's funds for expansion.

In the opinion of this Commission the conditions described above essentially prevail today. The inability of some firms, particularly the smaller and new ventures, to obtain equity capital is not peculiar to Virginia nor is it a recent problem. In a free enterprise economy there has always been a cry that control of capital was too stringent. However, several studies by federal agencies and by organizations in other states emphasize, as does our own Virginia study, that the unsatisfied demand for equity capital may have become more critical in recent years as the federal government has taxed away potential investment funds and as an increasing proportion of personal savings have gone into bank deposits, life insurance, and trust funds where they are unavailable for the high risk type of investment.

The Industrial Other Factors

The nation is continuing of industrial growth, but types of industrial development level and financed with for financing industrial root particularly in areas where employment has rate and also in the South industrial labor supply declined by two per cent in the nation. For more from the South. Now industrial growth can be is similar to but less extensive. To quote from an Advisory Council report published shortly:

Virginia has a number of sources together with that could provide years ahead. Perhaps a decade when the low birth rate, being separated by forces, Virginia can be by approximately 30 favorable age structure entrants in excess availability of women and a continuation employment. Will rate sufficient to labor-hungry metropolitan areas.

In the scramble to get credit for the function of these corporations capital. However, it should be services to the industry than the dollars involved on the functioning of such a corporation. As to the various schemes of a state to gather private for equity capital. The local level will be called financial assistance to by these local organizations given is in the form of rather than a money loan by the federal government industrial development.

Exhibit 20 (Statistical data) gives considerable detail.

of more equity than the
these cases the banks were
normally be obtained from
raisal of the loan requests
the declined loans were
of course, normally carry
le from a seasonal reduc-

received from 1,300 ques-
manufacturers. Of these, 41
ain desired financing had
inability to expand. The
be handicapped can be
gely about their ability to
nnaire in large numbers,
red quite small in relation
ly when consideration is
On the other hand, if the
securing financing was a
per cent of the 300 total
ern. After reviewing in
ms were unable to obtain,

capital loans seems to be
many small-sized business
most of the respondents
o handle their short-term
their equity capital from
ly. Little resort was made
nd bonds partly because
capital markets and partly
re unwilling to risk losing
le of equity securities.

ly in the dilemma that it
earnings back into the
ard the speed with which
n be accumulated. Some
ion and personal income
business expansion as well
at there was no incentive

nditions described above
e firms, particularly the
pital is not peculiar to
nterprise economy there
too stringent. However,
izations in other states
the unsatisfied demand
l in recent years as the
stment funds and as an
one into bank deposits,
navailable for the high

The Industrial Development Credit Corporation and Other Financing Devices to Attract Industry

The nation is continuing through one of its longest sustained periods of industrial growth, but this growth has not hit all areas evenly. Various types of industrial development corporations, both on a state and local level and financed with either private or public funds, have been organized for financing industrial expansion. These organizations seem to be taking root particularly in areas such as New England or western Pennsylvania where employment has either declined or grown at less than the national rate and also in the South, where a large expansion is possible in the industrial labor supply. Manufacturing employment from 1947 to 1954 declined by two per cent in New England while increasing by 10 per cent in the nation. For more than a century there has been an exodus of people from the South. Now there is a growing awareness in the South that industrial growth can help hold the human resource. Virginia's position is similar to but less extreme than that of many of its southern neighbors. To quote from an Advisory Council on the Virginia Economy study to be published shortly:

Virginia has a favorable combination of human and natural resources together with an advantageous location with respect to markets that could provide the basis for substantial economic growth in the years ahead. Perhaps its greatest resource is its people. During a decade when the large metropolitan areas of the nation, because of the low birth rates during the thirties, are unable to replace those being separated by death and retirement from their respective labor forces, Virginia could expand its labor supply from its own sources by approximately 300,000. This potential expansion is a result of the favorable age structure of the population which guarantees new entrants in excess of those being separated from the labor force, the availability of women in rural areas who now lack job opportunities, and a continuation of the movement of farmers into non-agricultural employment. Will employment opportunities in Virginia expand at a rate sufficient to absorb these people, or will they migrate to the labor-hungry metropolitan areas of the nation or remain unemployed?

In the scramble to attract industry, the statewide industrial development credit corporation has been resorted to in several states. The primary function of these corporations is to extend credit—in substance, equity capital. However, it should be noted that they also make available advisory services to the industry which often turn out to be of greater significance than the dollars involved in loans. The major emphasis of this report is on the functioning of these corporations and on whether Virginia needs such a corporation. Attention is called, however, in the sections that follow to the various schemes used outside Virginia by communities and regions of a state to gather private funds to meet the need of promising industries for equity capital. Throughout this report the organization set up at the local level will be called an industrial development corporation. Rendering financial assistance to industry is only one of several functions performed by these local organizations and usually such financial assistance as is given is in the form of a lease or lease-purchase arrangement for a building rather than a money loan. Attention is also called to the funds made available by the federal government for small industry, and to the growth of local industrial development corporations in Virginia.

Exhibit 20 (Statewide Industrial Development Credit Corporations) gives considerable detailed explanation on the operations of the statewide

industrial development corporations in other places. Exhibit 21 supplements this with more detail regarding the projects in these states. We think that it is important for us in Virginia to take note of the fact that our neighboring state, North Carolina, has within the past two years organized its own "Business Development Corporation of North Carolina" and that it is making real progress to its goal of obtaining a paid-in capital stock of \$10 million from commercial banks, trust companies, building and loan associations, and insurance companies within the state. From a competitive standpoint this may give North Carolina certain advantages over Virginia in the future in the very competitive field of industrial development.

*Local Industrial Development Corporations in Virginia**

The first efforts to promote industrial growth in Virginia communities were initiated by special committees of local chambers of commerce and in a few places by service clubs such as Kiwanis and Ruritan, merchants' associations and town councils. In general these committees, with no funds at their disposal, gave help to new or expanding industries by finding sites or buildings, aiding in the recruitment of labor supply, and in liaison service between the enterprisers and local sources of financial aid. In many cases the local industrial development corporation grew out of the new-industry committee because of the need for a fund with which direct financial assistance could be offered to industrial prospects. Yet the importance of services not connected with financing has been illustrated in the history of the Norfolk Industrial Commission, organized in 1925. The commission has no funds to aid incoming industries, but its staff, including an experienced industrial engineer, provides all needed information of a practical or economic character. Its report in 1953 showed 166 industries attracted to the area since 1925, with 151 of these still in operation.

It was not until 1947 that industrial development corporations armed with local funds to assist in financing industry began to appear in Virginia. The first of these was the Peninsula Industrial Finance Corporation which serves York County and the cities of Hampton, Warwick and Newport News. Between 1947 and 1953 its activities contributed to the opening of six new plants, one of which was later to close down.

The principal aid to industry offered by local development corporations (so called for convenience, although not all are incorporated) has been provision of sites and buildings on lease or lease-purchase basis. In some cases the organizations acquired sites and erected buildings in anticipation of attracting a desirable enterprise. Sometimes buildings vacated upon the closing down of an industry have been bought and turned over to a new industry brought to the locality through the efforts of the corporation. All these organizations have laid emphasis on providing complete and up-to-date information on community facilities and advantages.

There are today 50 local industrial development corporations active in Virginia. They have been increasing at a rapid rate since 1953, at which time there were thirteen. All of them have some kind of central fund raised either by sale of stock or by subscription, which fund can be used to implement the expansion of industry in their communities. The

* This discussion is based upon two articles on industrial development corporations that have appeared in the *Virginia Economic Review*, the first in July 1953 and the second in July 1956.

majority are stock from \$5 to \$100. N their shareholders, a rates of return. M dividends will mat with sound business in principle, but a to cover costs.

Among those capitalization, the but eight have set \$500,000 maximum in Bluefield, Clifc the upper limits as and in some place arises. Over \$2,00

Methods of p mon practice is to buildings and hold of the corporations build according to loans. One or two necessary machine much if they were

As for gener will do whatever p community. Sever services to manage of interceding with bus lines and utilit housing for incom create a favorable

The corporati on industrial prop for 5 years, 12 year an industry can ex that rent be paid lo requires a purcha option to be taken pending upon the cover all costs and end of which the l

To protect tl mortgages on plan sentation on the c company's equities tives.

Although the attract new indust that wish to expa industrial develop aided by 13 corpor

Following is a nished buildings.

places. Exhibit 21 supplements in these states. We note of the fact that our past two years organized "North Carolina" and that it is a paid-in capital stock of companies, building and loan the state. From a certain advantages over field of industrial develop-

*tions in Virginia**

h in Virginia communities chambers of commerce and s and Ruritan, merchants' committees, with no funds industries by finding sites or supply, and in liaison rces of financial aid. In corporation grew out of the a fund with which direct al prospects. Yet the im- ag has been illustrated in ssion, organized in 1925. industries, but its staff, provides all needed infor- ts report in 1953 showed with 151 of these still in

ment corporations armed gan to appear in Virginia. inance Corporation which 1, Warwick and Newport tributed to the opening of town.

cal development corpora- all are incorporated) has lease-purchase basis. In ertected buildings in anti- etimes buildings vacated bought and turned over the efforts of the corpor- is on providing complete ies and advantages.

ment corporations active apid rate since 1953, at ve some kind of central option, which fund can be their communities. The

ial development corporations he first in July 1953 and the

majority are stock companies with par value per share of stock ranging from \$5 to \$100. Not all the stock companies intend to pay dividends to their shareholders, and very few have committed themselves to guaranteed rates of return. Most of them are uncertain that profits sufficient for dividends will materialize and plans to pay only what may be consistent with sound business practices. Seven corporations are definitely non-profit in principle, but always strive to get back enough on their investments to cover costs.

Among those corporations which have reported on their authorized capitalization, the most frequent figures are \$100,000, \$75,000, and \$50,000, but eight have set a maximum of \$200,000 or more. The highest is the \$500,000 maximum of the Roanoke Valley Development Corporation. Only in Bluefield, Clifton Forge and Portsmouth have subscriptions reached the upper limits as yet. More often, from 30 to 70 per cent has been raised, and in some places pledges are available to increase the fund if need arises. Over \$2,000,000 has been subscribed in thirty corporations.

Methods of promoting industrial development vary. The most common practice is to acquire by purchase or option some suitable sites or buildings and hold them for sale to desirable industries. About a dozen of the corporations will donate a site or offer free rent. Nearly all will build according to the prospect's specifications. Four will make cash loans. One or two will furnish free utilities, pay moving expenses or buy necessary machinery. No doubt some other corporations might do as much if they were pushed.

As for general information and courtesies, all these organizations will do whatever possible to smooth the path of a new enterprise in the community. Seven are ready to provide engineering services, five specify services to management and in marketing. Such aid might take the form of interceding with local government for extension of streets, water mains, bus lines and utilities, of advertising for the needed labor force, of finding housing for incoming officials and workers. Certainly all will strive to create a favorable community attitude toward industry.

The corporations generally seem to prefer a ten-year lease agreement on industrial property with option to renew or buy, although several leases for 5 years, 12 years, or 20 years have been contracted. The time at which an industry can exercise its option to buy varies. One corporation requires that rent be paid long enough to allow it to recoup its investment. Another requires a purchase of cost-plus-six-percent. Still another permits the option to be taken at any time, with credit of rent on purchase price depending upon the time that has elapsed. Some corporations set rent to cover all costs and charges over a definite period, perhaps ten years, at the end of which the building belongs to the company.

To protect their investment 19 development corporations require mortgages on plant or equipment. Only two would want to have representation on the company's board of directors, or would hold some of the company's equities or require insurance policies on the company's executives.

Although the primary concern of most of these corporations is to attract new industries, nearly all extend aid to established local concerns that wish to expand. At least 32 new firms have been assisted by 15 industrial development corporations, and 20 existing industries have been aided by 13 corporations.

Following is a list of some local development groups that have furnished buildings.

<i>Location</i>	<i>Industry</i>	<i>Product</i>
Bedford	Bedford Dress Co., Inc.	Women's wear
Blackstone	Harde Mfg. Co.	Boys' apparel
Bluefield	Arlington Chair Co.	Chairs
Clifton Forge	Mizzy, Inc.	Medical & dental supplies
Danville	Danville Properties	Children's wear
Galax	Wonderknit Corp.	Boys' shirts
Kenbridge	Kenbridge Hosiery Mills	Hosiery
Lebanon	Russell Mfg. Co.	Apparel
Strasburg	Crestliner Corp.	Aluminum boats
Tappahannock	American Frame Mfg. Co.	Box spring frames
Victoria	Craddock-Terry Shoe Co.	(Branch plant)

On the whole, the local industrial development corporations, with a relatively short history behind them, have done a good job in promoting manufacturing growth in Virginia.

Summary

In summarizing the needs and opportunities for sound financing of our industrial development activities, the Commission takes the position that:

1. Local industrial development corporations in Virginia have aided in mobilizing many local communities to prepare for industrial solicitation efforts, though not necessarily in attracting high wage paying industries. The growing number of these attests to the fact that they are widely accepted by the people of Virginia as a means of improving the economic well-being of the community, especially the small community where a very appreciable benefit is derived from a relatively small payroll being added to the financial structure of the community.

2. A statewide Virginia industrial development credit corporation would not be worth the effort involved in establishing it, if it were the sole medium through which further industrial development in Virginia was to be brought about. Such a corporation would aid only if part of an overall plan for effective action; if part of an enveloping program. Over and above the good climate for business which is deemed already present in the state, concomitants of the enveloping program should be a vigorous merchandising of the state's assets at the top governmental level, starting with the Governor himself, and emphasis on the role of the corporation as a developer and user of sources of basic data on such fundamentals as water, geology, mineral sources, labor supply, etc.

3. A statewide Virginia industrial development credit corporation should have a staff of its own or at its beck and call comprised of an industrial engineer, an accountant, and a market analyst.

At the beginning of this section regarding availability of financing for industrial development in Virginia, we stated our fundamental belief in the desirability of financing coming from private sources. However, we cannot overlook that the federal government through the Small Business Administration also is now lending funds to enterprise defined by law as "small". During the past three years this agency has loaned over the country as a whole a larger sum than that made available by all the local and statewide development corporations combined. Several bills have been introduced into Congress to expand the role of federal government in rendering financial aid to business. These and other facts regarding the operation of this administration have been included in Exhibit 22. We deplore this proposal and recommend that the Small Business Administration be terminated as soon as possible, particularly in view of the fact that it was started as an emergency measure during the Korean War.

H. Taxes and Industrial

During the past year before the Council on the Virginia Economy, New York (economic consultant) *Report on The Economic Position of Virginia Revenues and Expenditures* of present taxes at state and state and industrial prospects heartily in the conclusion reached some of the facts brought out.

Great variations exist from business, consumers, of these important differences.

How Does Virginia's Compare?

Revenues Concentrated

A relatively high proportion is raised at the state level, 49 percent for all states, even higher proportion in Virginia, while many states raise a lower proportion of the funds at the local level.

Many Striking Contrasts

Taxes account for four percent of state and the localities, the nation. In the Commonwealth, light, contributing only 38 percent for all states, rates are relatively low, consumers are relatively high, wide general sales taxes, state and local revenue come, both individual and sources Virginia obtain 48 percent in the nation. A high income are on the high

Revenue
Virginia, 48

Virginia	48
48 states	48
Neighboring states	
Kentucky	48
Maryland	48
North C.	48
Tennessee	48
West Va.	48

Source: U. S. Bureau of the Census, "General Funds". state and local revenues shown still hold at that time.

Product
 Women's wear
 Boys' apparel
 Chairs
 Medical & dental supplies
 Children's wear
 Boys' shirts
 Hosiery
 Apparel
 Aluminum boats
 Box spring frames
 Branch plant)

ment corporations, with a
 e a good job in promoting

ies for sound financing of
 mission takes the position

ns in Virginia have aided
 e for industrial solicitation
 gh wage paying industries.
 et that they are widely ac-
 of improving the economic
 small community where a
 ctively small payroll being
 y.

opment credit corporation
 blishing it, if it were the
 l development in Virginia
 ould aid only if part of an
 enveloping program. Over
 is deemed already present
 gram should be a vigorous
 overmental level, starting
 e role of the corporation as
 on such fundamentals as
 etc.

opment credit corporation
 and call comprised of an
 et analyst.

availability of financing for
 our fundamental belief in
 ate sources. However, we
 ough the Small Business
 enterprise defined by law
 gency has loaned over the
 e available by all the local
 ined. Several bills have
 e of federal government in
 other facts regarding the
 eluded in Exhibit 22. We
 Small Business Adminis-
 cularly in view of the fact
 uring the Korean War.

H. Taxes and Industrial Development

During the past year both the Fiscal Study Committee of the Advisory Council on the Virginia Economy and Econometric Specialists, Inc. of New York (economic consultants retained by the Council to prepare a *Report on The Economic Position and Outlook of Virginia and on Virginia Revenues and Expenditures*) have examined very exhaustively the effect of present taxes at state and local levels on existing manufacturing in the state and industrial prospects in Virginia. The Commission concurs heartily in the conclusion reached by these able groups, and we review here some of the facts brought out by these excellent surveys.

Great variations exist among the states in the way funds are raised from business, consumers, and individuals, and we set forth below some of these important differences.

How Does Virginia's Overall State and Local Revenue Structure Compare with Other States?

Revenues Concentrated More at the State Level

A relatively high proportion of the combined state and local revenue is raised at the state level in Virginia, 61 percent as compared with 49 percent for all states. In general, the Southern states raise an even higher proportion of their revenue at the state level than does Virginia, while many of the New England and Mid-Atlantic states raise a lower proportion. In Virginia, as in most states, a substantial proportion of the funds collected at the state level are distributed at the local level.

Many Striking Contrasts in The Revenue Structure

Taxes account for four-fifths of the revenue raised in Virginia by the state and the localities, but even so this is a smaller proportion than in the nation. In the Commonwealth taxes on property are relatively light, contributing only 28 percent of the revenue collections compared with 38 percent for all states. Both rural and municipal property tax rates are relatively low in Virginia as will be shown later. Taxes on consumers are relatively light, largely because the State has no state-wide general sales tax—a source that accounts for 12 percent of all state and local revenue. On the other hand, Virginia's taxes on income, both individual and corporate, are relatively high. From these sources Virginia obtains 14 percent of its revenue compared with 7 percent in the nation. As noted later, Virginia's tax rates on corporate income are on the high side.

Revenue Raised by States and Localities
 Virginia, 48 state total, and neighboring states, 1953

	Percent by Source					
	Total Taxes	Property Taxes	General Sales Tax	Indiv. & Corporation Income Taxes	Liquor Charges	Store Profits
Virginia	79.2	27.6	0.2	13.7	16.7	4.1
48 states	84.7	38.0	11.6	7.2	14.3	1.0
Neighboring states						
Kentucky	86.1	34.2	....	11.2	13.9	....
Maryland	84.2	35.7	8.6	11.2	14.9	0.9
North C.	84.3	23.3	11.7	16.1	12.5	32.
Tennessee	86.9	26.5	15.5	6.0	13.1	....
West Va.	85.1	20.6	31.8	....	10.8	4.1

Source: U. S. Bureau of the Census—Revenue here includes "Special" as well as "General Funds". 1953 is the only recent year for which the combined state and local revenues are available for all states. The relationships shown still hold because there have been only moderate changes since that time.

Charges for governmental services (such as for the use of highway facilities and for attendance at state-supported institutions of higher learning) and profits from the operation of liquor stores brings the governing units of Virginia a larger share of their revenue than in the nation. Virginia is one of the 20 states in which liquor stores are operated by the state or local governing units.

In recent years for approximately every \$10 of revenue raised from their own sources, the state government and localities in Virginia have received \$1 of federal grants in aid of specific programs. The per capita federal grant received by the Virginia State Government has been roughly one-half that received by all state governments—being one of the three or four lowest grants in the nation. The lowness is largely attributable to the small public assistance expenditures in Virginia.

Comparative Revenue Standing Among the States

The combined state and local tax collections per capita for Virginia is 33 percent below the 48 state average. However, in the Commonwealth a larger share of the revenue is received from non-tax sources and per capita income is lower. If non-tax revenues are added to tax revenues and taken as a percent of the personal income received by the people of the State, the gap between Virginia and the states as a whole is reduced to 13 percent. Even so, in only 10 states, six of which are along the Atlantic Seaboard to the north, are total revenue collections as a percent of personal income lower than in Virginia.

Virginia's State and Local Revenues Low as A Per
Capita and as A Percent of Personal Income, 1953

State	Per Capita		Total Revenue as a Percent of Personal Income		
	Total Revenue	Taxes Only	State & Local	State	Local
Virginia	\$113.87	\$ 90.14	7.63	4.66	2.97
48 State Average	158.40	134.22	8.71	4.22	4.49
Neighboring States					
Kentucky	92.38	79.54	7.39	4.10	3.29
Maryland	144.82	122.01	7.28	3.71	3.57
North Carolina	112.96	95.22	9.67	6.45	3.22
Tennessee	101.51	88.19	8.16	4.85	3.31
West Va.	104.45	88.04	8.00	5.61	2.39

Source: Derived from information published by the U. S. Dept. of Commerce.

How Does Virginia's Tax Burden on Manufacturers Compare With Other States?

Major Taxes on Manufacturers

Virginia's state-levied corporate net income tax accounts for more than one-half of the state and local taxes paid by a "typical" manufacturer. Local taxes on real estate, tools and machinery follow next in importance, and closely behind is the state-levied "business capital tax" which falls primarily on inventories. The annual franchise tax on capital stock and other miscellaneous taxes account for only about two percent of the total tax bill. In view of their relative importance, the corporate income tax, the local property tax, and the business capital tax will be examined before estimating comparative tax burdens on manufacturers.

Virginia Taxes Corp

The Commonwe comes an effective ra taxes because it doe computing the state by the states as a w the rate higher and i taxes on manufactur available, and theref tax. For this reaso Virginia's high corpo

There have been income tax rates sinc in 1948. Since that states already using

Formula for Allocati Should Be Ch

One important t method that Virgini manufacturing corpo Statutory provisions tion method can ob Virginia's tax burden on

Virginia's alloca tive" in a nationwide primarily because un for itself sales of Vir office outside Virgin (inia). In contrast, the income allocated ers recently locating this Committee singl the Virginia tax syst

More facts are n and which to lose and lose, if any, from a State Chamber of Co such data. There is corporate net income provides for admini However, in view of appears to be the one dustry. Steps shoul change it, if further s

The importance tion procedures is em ture in the spring of tion formula after ab legislative action can extremely active and dustrialization, and th reason for two multi national corporations

s for the use of highway
ed institutions of higher
liquor stores brings the
of their revenue than in
n which liquor stores are

0 of revenue raised from
localities in Virginia have
ific programs. The per
a State Government has
ate governments—being
nation. The lowness is
ssistance expenditures in

ates
s per capita for Virginia
owever, in the Common-
ed from non-tax sources
venues are added to tax
onal income received by
ginia and the states as a
ly 10 states, six of which
are total revenue collec-
han in Virginia.

Low as A Per
Income, 1953

Total Revenue as a Percent of Personal Income		
State & Local	State	Local
7.63	4.66	2.97
8.71	4.22	4.49
7.39	4.10	3.29
7.28	3.71	3.57
9.67	6.45	3.22
8.16	4.85	3.31
8.00	5.61	2.39

J. S. Dept. of Commerce.

rs Compare With Other

k accounts for more than
"typical" manufacturer.
low next in importance,
capital tax" which falls
tax on capital stock and
two percent of the total
e corporate income tax,
will be examined before
rers.

Virginia Taxes Corporate Income At A Relatively High Rate

The Commonwealth's rate of 5 percent on corporate net income becomes an effective rate of 10.4 percent on net income after federal income taxes because it does not permit the deduction of federal income taxes in computing the state income tax. Virginia's rate is double that averaged by the states as a whole as shown by Exhibit 25. In only seven states is the rate higher and in only 5 others is it as high. Of all the state and local taxes on manufacturers the state corporate income tax is the most readily available, and therefore a state is often branded on the basis of this one tax. For this reason there may be an adverse psychological effect to Virginia's high corporate income tax rate.

There have been changes, but no revolutionary ones, in state corporate income tax rates since Virginia raised its rate from 3 percent to 5 percent in 1948. Since that time no other state has adopted this tax, but several states already using this tax source have increased their effective rates.

Formula for Allocating Corporate Income Needs Clarification and Possibly Should Be Changed

One important tax consideration that warrants further review is the method that Virginia uses to allocate income for tax purposes of those manufacturing corporations that operate both within and outside the State. Statutory provisions and administrative practices pertaining to the allocation method can obviously alter the conclusions reached regarding Virginia's tax burden on manufacturers.

Virginia's allocation method has recently been branded as "acquisitive" in a nationwide study made for the controllers of large corporations, primarily because under the "sales factor" in its formula the State includes for itself sales of Virginia manufactured goods that are made from a sales office outside Virginia (except where sold from a warehouse outside Virginia). In contrast, in most states use of the "sales factor" tends to reduce the income allocated to the "producing" state. Several large manufacturers recently locating in Virginia in responding to a questionnaire from this Committee singled out the "sales factor" as an inequitable feature of the Virginia tax system. See Exhibit 24 for further explanation.

More facts are needed as to which manufacturers would stand to gain and which to lose and also how much revenue the State government would lose, if any, from a change in the allocation method, and at present the State Chamber of Commerce has requested the Tax Commission to compile such data. There is no universally agreed upon formula for apportioning corporate net income, and Virginia's statute, like those in most states, provides for administrative relief in cases of demonstrated hardship. However, in view of the recent adverse criticism the allocation method appears to be the one vulnerable feature of the State's tax structure on industry. Steps should be taken to clarify its impact on industry and to change it, if further study shows that to be desirable.

The importance of this prompt reappraisal of our income tax allocation procedures is emphasized by the action of the North Carolina Legislature in the spring of 1957 in adopting the so-called Massachusetts allocation formula after abandoning one like Virginia's present formula. This legislative action came at the urging of Governor Hodges who has been extremely active and persuasive in advocating his state's further industrialization, and this tax revision was promptly advertised as the main reason for two multi-million dollar plants being located in that state by national corporations (a new plant for Allied-Kennecott Titanium Corp.

at Wilmington and a sizeable expansion for R. J. Reynolds Tobacco Co. at Winston-Salem). Virginia should proceed promptly to review its income tax allocation regulations in view of these developments in an important neighboring state and particularly in view of our very high rates on income taxes relative to nationwide averages. Furthermore this allocation formula is particularly important to the large national firms that operate in many states and which usually pay high wages and are otherwise desirable prospects.

Estimated True Property Tax Rates Are Low

This generalization can be safely made in spite of difficulties encountered in comparing local rates among the states because so many studies have consistently shown rates for Virginia localities to be substantially below average rates in the nation for a long number of years.

Tax rates on the true value of real property for Virginia's largest cities appear to be approximately 40 percent below the rate averaged by more than 300 of the nation's cities. The reported ratios of assessed value to current market value of property for Virginia cities was slightly above that for the nation but the actual tax rate per \$100 assessed valuation for Virginia cities was roughly one-half the national rate. Annual estimates show that this condition has prevailed for many years.

Real Estate Tax Rates for Selected Virginia Cities 40 percent Below U. S. City Average

	Actual Tax Rate per \$100 Assessed Valuation	Reported Ratio of Assessed Value to Current Market Value (percent)	Average Adjusted Rate per \$100 True Value
Richmond	\$2.20	61	\$1.34
Roanoke	2.74	60	1.64
Portsmouth	2.50	40	1.00
Alexandria	2.79	41	1.14
Lynchburg	2.35	50	1.17
Newport News	2.95	40	1.18
Petersburg	2.50	50	1.24
Unweighted average			1.24
U. S. Cities	5.09	41	2.09

Source: National Municipal Review, January, 1955, Rates are for 1954

Average tax rates per \$100 full value of farm real estate by states are published annually by the U. S. Dept. of Agriculture. For 1955, Virginia's rate of 54 cents per \$100 full value of farm property compares with 92 cents for the 48 states. Virginia's rate is thus 41 percent lower. Only twelve states average a lower true rate than Virginia, and of these states, all except Maryland were Southern states.

Unemployment Compensation Tax Rates Low

Although no attempt will be made to give it a weight in comparing the tax burden on manufacturers, the unemployment compensation tax warrants attention because it is one of the major taxes paid by manufacturers and because rates vary from state to state. In Virginia, the net rate on employers is 0.5 percent on their taxable payrolls, one of the lowest rates in the country. Only two states have a lower rate. Virginia's lower rate may be considered as roughly equiv-

alent to a re
tax for a "ty

Virginia's Tax Bu

The combin
ginia appears
the manufact
pertains to m
dustry or ma
tax rates hav
average true
tories and oth
facturing, is
machinery and
the Commonw
nominal, being
the low local
high tax on c
percent on cor
the average ra

To determin
corporate inco
sary to know
taxes for the
period approx
the nation's m
fourths were
weighting of
would have fo
actually was i
below.

*For a Recent
Would Have*

Property & Incom

(annual average
1950-1953)

Taxable Assets of
\$107 billion

Net Income after
Federal Taxes of
\$10.5 billion

Assets and Inc
nue Service.
Actually this
have been 5%

Reynolds Tobacco Co. at
y to review its income
ments in an important
y high rates on income
more this allocation
onal firms that operate
es and are otherwise

p spite of difficulties en-
states because so many
rginia localities to be
for a long number of

for Virginia's largest
elow the rate averaged
reported ratios of as-
rty for Virginia cities
e actual tax rate per
s roughly one-half the
t this condition has

Virginia Cities Average

Ratio Adjusted Current Value (t)	Average Adjusted Rate per \$100 True Value
	\$1.34
	1.64
	1.00
	1.14
	1.17
	1.18
	1.24
	1.24
	2.09

1955, Rates are for 1954
n real estate by states
griculture. For 1955,
f farm property com-
s rate is thus 41 per-
r true rate than Vir-
were Southern states.

a weight in comparing
oyment compensation
e major taxes paid by
ate to state. In Vir-
on their taxable pay-
nly two states have a
ered as roughly equiv-

alent to a reduction of one-third in its 5 percent corporate income
tax for a "typical" manufacturer.

Virginia's Tax Burden on "Typical" Manufacturer About Average

The combined state and local tax burden on manufacturers in Vir-
ginia appears to be about equal to or somewhat below the average of
the manufacturing taxes paid in the states as a whole. This rank
pertains to manufacturing in the aggregate, not to any specific in-
dustry or manufacturing firm. Both Virginia's municipal and rural
tax rates have been shown to be approximately 40 percent below the
average true rates for the nation. It's state-levied tax rate on inven-
tories and other current assets, types of property important to manu-
facturing, is lower than in most states. In some Virginia localities
machinery and tools are taxed at an especially low rate. Furthermore,
the Commonwealth's annual franchise taxes on capital stock are
nominal, being lower than in most states. Offsetting to a large extent
the low local and state tax rates on property is Virginia's relatively
high tax on corporate net income. Virginia's effective rate of 10.4
percent on corporate net income after federal income taxes is double
the average rate for the states as a whole.

To determine how the combination of low property taxes and high
corporate income taxes affects Virginia's relative position it is neces-
sary to know the relative importance of these two general types of
taxes for the nation's manufacturing firms. For a recent four year
period approximately one-fourth of the state and local taxes paid by
the nation's manufacturing firms were on corporate income while three-
fourths were on various types of property. As a result of this heavier
weighting of property taxes the nation's manufacturing industry
would have found its state and local tax bill slightly lower than it
actually was if it had been subject to Virginia taxes only, as shown
below.

For a Recent Four Year Period Tax Bill on Nation's Manufacturing Would Have Been About the Same If Taxed at Virginia Rates

Property & Income	Taxed at	Yields Tax Bill	
		In Virginia	In U. S.
(annual average 1950-1953)	Virginia's average property tax rate of \$.90 and U. S. aver- age tax rate of \$1.50 per \$100 true value		
Taxable Assets of \$107 billion		\$.96 billion	\$1.61 billion
Net Income after Federal Taxes of \$10.5 billion	10.4% effective rate in Virginia and 5.2% U. S. average	1.09 billion	.55 billion
	Total	\$2.05 billion	\$2.16 billion

Assets and Income for Manufacturers taken from U. S. Internal Re-
venue Service.

Actually this computation shows that a Tax Bill in Virginia would
have been 5% lower, but this is very approximate.

Qualifications to Virginia's "Average Tax Burden on Typical Manufacturer"

1. The comparison is between Virginia and the states as a whole. Several states, among them neighboring states which compete with Virginia for new industry, possibly by the same technique could be shown to have lower tax burdens than Virginia on manufacturing.

2. In comparing the tax burden in Virginia with that in the nation use was made of an average true tax rate on property. Yet these true tax rates vary from one locality to another in Virginia as they do throughout the nation, and of course the "about average tax burden on manufacturers" for Virginia would change as the property tax rate at the particular site chosen in Virginia or out-of-the-state varied from the average we have used. True property tax rates may even vary from one part to another of the same locality and from manufacturing to other types of property.

3. The "average burden" will not necessarily hold for each major manufacturing category or for a specific manufacturing firm because of substantial variation from this average ratio of income (or profit) to net worth (or to other measures of property). Since Virginia's corporate net income taxes are relatively heavy and its property taxes are relatively light a manufacturer's tax advantage tends to diminish or his tax disadvantage increases as his ratio of income to property rises. In general, it is the rapidly expanding and high wage industries that are yielding the highest rate of profit on stockholders' equity and it is these industries that are less favored by the Virginia state and local tax structure.

What Influence Has State and Local Taxes Had on Decisions to Locate New Establishments?

Thousands of industrialists queried either by questionnaire or by interview in many parts of the country since World War II say more attention was given to such factors as markets, labor, and materials than to state and local taxes in locating new plants. Cases can, of course, be found where the tax burden was the factor that tipped the scales in favor of some locality. In such cases the tax differential has become important only in the final choice between two or three satisfactory locations.

The several survey findings, as well as replies to a questionnaire from this Committee, showed industrialists in selecting new plant locations examine:

- (1) the quality of the schools, recreational facilities, and other governmental services which are paid with tax funds,
- (2) the equity with which taxes are levied on particular groups, and in particular whether they would be unfairly burdened, and
- (3) the care with which public funds are spent.

What Virginia Manufacturers Say About State and Local Taxes

The Fiscal Study Committee asked 330 manufacturers locating new facilities in Virginia since World War II what they thought of the state and local taxes levied on them. One-half of the manufacturers replied to the questionnaire. One-third with an employment of 36,000 sent back usable returns.

It is clear from Virginia's taxes on income while taxes on real estate as the unemployment below average. This

Ratings Manufactured Based

Corporate Income
Individual Income
Business Capital
U. C. C. Contrib
Real Estate
Machinery and T

For each tax the point at which they can accept their reply tax advantage Virginia sharp increase in any been pointed out that revenue and also that low. Should these local rise in other states, tax burden on manufacturing come tax rate.

From these considerations and rates are a matter here. It is very clear of greatest importance real estate and property have an immediate revenue, it should also be interested in the stability as in the level of Our state and local government adequate and necessary

on Typical

nd the states as a whole. ates which compete with same technique could be inia on manufacturing.

a with that in the nation property. Yet these true r in Virginia as they do bout average tax burden nge as the property tax or out-of-the-state varied erty tax rates may even locality and from manu-

urily hold for each major nufacturing firm because atio of income (or profit) roperty). Since Virginia's vy and its property taxes vantage tends to diminish io of income to property and high wage industries i stockholders' equity and y the Virginia state and

on Decisions to

questionnaire or by inter- Var II say more attention d materials than to state of course, be found where scales in favor of some become important only in ry locations.

s to a questionnaire from ting new plant locations

facilities, and other gov- tax funds,

on particular groups, and afairly burdened, and

pent.

nd Local Taxes

nufacturers locating new they thought of the state manufacturers replied to of 36,000 sent back usable

It is clear from their replies that the manufacturers consider Virginia's taxes on income (corporate and individual) to be average to high while taxes on real estate, machinery and tools, business capital as well as the unemployment compensation tax were considered to be average to below average. This fits in with the findings given elsewhere in this report.

Ratings Manufacturers Gave to Virginia's Taxes (Percentages Based on Employment of Reporting Plants)

	<i>Below Average</i>	<i>Medium</i>	<i>Above Average</i>
Corporate Income	3%	38%	59%
Individual Income	3	48	49
Business Capital	32	53	15
U. C. C. Contribution	29	68	3
Real Estate	38	57	5
Machinery and Tools	38	51	11

For each tax these manufacturers were asked to specify the breaking point at which they would have decided not to locate in Virginia. If one can accept their replies at face value the conclusion is that whatever slight tax advantage Virginia may now enjoy could quickly be wiped out by a sharp increase in any of the major tax levies on manufacturers. It has been pointed out that many Virginia localities are in urgent need of more revenue and also that general property taxes levied by the localities are low. Should these local levies be raised sharply without a corresponding rise in other states, Virginia would find itself with a relatively heavy tax burden on manufacturers because of the already high corporate income tax rate.

From these considerations it is clear that today Virginia's tax structure and rates are a more or less neutral factor in attracting new industry here. It is very clearly evident, however, that any increase in the levies of greatest importance to manufacturers (state corporate income, local real estate and property, and state business capital or inventory) would have an immediate retarding influence on industrial development. However, it should also be emphasized that corporation officials are just as interested in the stability of governmental operations and of the tax structure as in the level of current tax rates, and here Virginia rates very well. Our state and local governments have on the whole provided more than adequate and necessary services at a very low cost per capita.

I. *Education and Industrial Development*

Of all the normal functions of state and local governments that may affect and influence industrial development favorably, or unfavorably, none is more important than education at both the secondary school and college levels. This fact results from four main considerations:

- 1) Education releases the native abilities of individuals and opens opportunity to those who can benefit from training.
- 2) In the communities surrounding the great educational centers of the nation there are literally scores of business enterprises that are the direct offshoots of the funds of knowledge situated in and the research done by those institutions. They provide a reservoir of learning, know-how and research enormously conducive to the development of new enterprises.
- 3) Industry is increasingly dependent upon its ability to recruit and retain competent, well-educated and technically trained employees. A good educational system has become one of the elements essential to an adequate labor supply.
- 4) In the scope of the modern university's services, industry has come to expect as more or less typical the business clinics and advisory services that are helpful to enterprises of all sizes, but almost essential to the success of small and new companies.

A well planned and coordinated plan of industrial development must include close cooperation between the Department of Economic Development on the one hand and the State Department of Education and the State Council of Higher Education as well as the individual colleges on the other. In this way present educational advantages of Virginia can be best maintained and current weaknesses corrected, as far as the requirements of our important industries are concerned.

Secondary Trade Schools

At the secondary school level there is need for the basic training in the fundamentals of learning—the three “R’s” in essence—which any educated person must have in order to be able to hold almost any position in modern industry or to go on to higher education. But also of great importance is adequate training in basic technical pursuits that may be provided in regular day classes, evening classes, or special extension services sponsored by the Division of Trade and Industrial Education of the State Department.

During the past generation Virginia's public schools have made excellent progress in providing sound training in the basic fundamentals of knowledge. Of course, this job is never finished, and now further challenges are ahead for the state and localities in providing sufficient funds for reasonable teacher salaries and needed school buildings. However, it is the opinion of the Commission that with few exceptions our public schools are good enough to be a plus factor in inducing industry to come to our state.

The largest cloud on the educational horizon for Virginia, as well as other southern states today, lies in the current uncertainty over the question of segregation and integration in the public schools. To the extent that these political and constitutional crises lead here to hindering or closing of the schools or to civil unrest and violence, our opportunity to

bring sound, substantial enterprises to our communities is lessened. Such businesses must have reasonable assurance of educational facilities for the children of their employees who are natives of a locality as well as those coming from elsewhere. Such a problem is one of the most serious, secondary effects of the current troubles in Arkansas as far as that state is concerned, and the same can be true in the comparatively near future in other southern states. In Virginia some of the areas most in need of industrialization, because they have been largely dependent on staple agriculture in a time of crop surpluses, falling prices, and acreage restrictions, are also most determined in their opposition to the Supreme Court's school ruling. As a result, there is the possibility that their public schools may be closed with the outcome, as far as industrial development is involved, of materially lessening their chances of attracting worthwhile new businesses. An example of this situation is Prince Edward County which has had a local development corporation for several years and which was involved in one of the original school segregation cases ruled on by the United States Supreme Court in 1954.

On the other hand, many businessmen from other sections admire Virginia's firm stand in support of the proper rights of the states, and perhaps support of our determination to retain control over our school system and to resist unconstitutional encroachments by the federal governments may arise as a result.

As mentioned above the other aspect of secondary school training that is of great importance to industry is the training provided in some of our schools for technicians and relatively skilled workers in the labor forces. Exhibit 23 is a reprint of an article from the October, 1957 issue of the Virginia Economic Review entitled "Schools Can Aid Industrial Development". Here are pertinent comments on the growth of the so-called trade schools in recent years, and also graphic illustrations of their shortcomings in curricula, in insufficient geographical dispersion over the state, and in the comparatively small numbers of students enrolled relative to the need. There are many areas where no technical training for industry is now available, and often where it is offered, courses are limited especially in the case of two rapidly growing, comparatively new industries in Virginia, electrical and electronic equipment and metal working. In some instances day classes are satisfactory, but night or extension courses are not offered for those who cannot attend during working hours. In other words, much needs to be done in this very important field of training our technicians and skilled workers, if Virginia is to have maximum appeal to many large industries that usually pay excellent wages to *qualified* employees.

Colleges and Graduate Schools

The newly formed State Council of Higher Education can perform a real service in encouraging the filling of certain gaps in what is on the whole a good system of state-supported higher education. Engineering and technical training in the state's two largest population centers, Norfolk and Richmond, are badly needed, if certain types of industry requiring highly trained personnel are to be attracted to those important centers. Likewise, graduate schools or extension facilities for graduate study are in great demand in these same areas for two reasons, 1) the needs of many technical enterprises for convenient access to institutions providing graduate training for their responsible employees, and 2) their grow-

ville and Blacksburg are such facilities available, and this fact has already resulted in the location of several enterprises depending on highly trained scientists in their environs (e.g. Sperry-Rand Corporation and United States Instrument Corporation at Charlottesville, and the Electro-Tec Corporation and Poly-Scientific Corporation at Blacksburg).

At the undergraduate level our Virginia colleges are justly renowned for their excellent liberal arts training, while the scientific courses at three institutions in the western part of the state are adequate, if not exceptional. The lack of engineering and scientific training of any kind in the vicinity of our larger centers of population would appear to be the primary shortcoming here. The proposals under consideration for the development of junior colleges in the larger centers appear to offer some solution to this present lack if elementary scientific courses are offered in them.

It is not surprising that till the present there has been less emphasis in our colleges on scientific and technical training, since on the whole our state was largely agricultural until twenty-five years ago, and what industry we had then was not particularly demanding in its needs for highly trained scientists and engineers. However, today nearly every industry requires such personnel and the demands will increase as the use of highly complex machinery and equipment increases.

We must have therefore the close and imaginative cooperation between the agency promoting this industrial development of the state and the educators at all levels, school, college, and graduate school—industry will in the future increasingly help and finance education if the educators are reasonably responsive to industry's needs.

ring sound, substantial enterprises to our communities is lessened. Such businesses must have reasonable assurance of educational facilities for the children of their employees who are natives of a locality as well as those coming from elsewhere. Such a problem is one of the most serious, secondary effects of the current troubles in Arkansas as far as that state is concerned, and the same can be true in the comparatively near future in other southern states. In Virginia some of the areas most in need of industrialization, because they have been largely dependent on staple agriculture in a time of crop surpluses, falling prices, and acreage restrictions, are also most determined in their opposition to the Supreme Court's school ruling. As a result, there is the possibility that their public schools may be closed with the outcome, as far as industrial development is involved, of materially lessening their chances of attracting worthwhile new businesses. An example of this situation is Prince Edward County which has had a local development corporation for several years and which was involved in one of the original school segregation cases ruled on by the United States Supreme Court in 1954.

On the other hand, many businessmen from other sections admire Virginia's firm stand in support of the proper rights of the states, and perhaps support of our determination to retain control over our school system and to resist unconstitutional encroachments by the federal governments may arise as a result.

As mentioned above the other aspect of secondary school training that is of great importance to industry is the training provided in some of our schools for technicians and relatively skilled workers in the labor forces. Exhibit 23 is a reprint of an article from the October, 1957 issue of the Virginia Economic Review entitled "Schools Can Aid Industrial Development". Here are pertinent comments on the growth of the so-called trade schools in recent years, and also graphic illustrations of their shortcomings in curricula, in insufficient geographical dispersion over the state, and in the comparatively small numbers of students enrolled relative to the need. There are many areas where no technical training for industry is now available, and often where it is offered, courses are limited especially in the case of two rapidly growing, comparatively new industries in Virginia, electrical and electronic equipment and metal working. In some instances day classes are satisfactory, but night or extension courses are not offered for those who cannot attend during working hours. In other words, much needs to be done in this very important field of training our technicians and skilled workers, if Virginia is to have maximum appeal to many large industries that usually pay excellent wages to *qualified* employees.

Colleges and Graduate Schools

The newly formed State Council of Higher Education can perform a real service in encouraging the filling of certain gaps in what is on the whole a good system of state-supported higher education. Engineering and technical training in the state's two largest population centers, Norfolk and Richmond, are badly needed, if certain types of industry requiring highly trained personnel are to be attracted to those important centers. Likewise, graduate schools or extension facilities for graduate study are in great demand in these same areas for two reasons, 1) the needs of many technical enterprises for convenient access to institutions providing graduate training for their responsible employees, and 2) their growing need for the research facilities commonly found in conjunction with such graduate education centers. Today in Virginia only at Charlottes-

ville and Blacksburg are such facilities available, and this fact has already resulted in the location of several enterprises depending on highly trained scientists in their environs (e.g. Sperry-Rand Corporation and United States Instrument Corporation at Charlottesville, and the Electro-Tec Corporation and Poly-Scientific Corporation at Blacksburg).

At the undergraduate level our Virginia colleges are justly renowned for their excellent liberal arts training, while the scientific courses at three institutions in the western part of the state are adequate, if not exceptional. The lack of engineering and scientific training of any kind in the vicinity of our larger centers of population would appear to be the primary shortcoming here. The proposals under consideration for the development of junior colleges in the larger centers appear to offer some solution to this present lack if elementary scientific courses are offered in them.

It is not surprising that till the present there has been less emphasis in our colleges on scientific and technical training, since on the whole our state was largely agricultural until twenty-five years ago, and what industry we had then was not particularly demanding in its needs for highly trained scientists and engineers. However, today nearly every industry requires such personnel and the demands will increase as the use of highly complex machinery and equipment increases.

We must have therefore the close and imaginative cooperation between the agency promoting this industrial development of the state and the educators at all levels, school, college, and graduate school—industry will in the future increasingly help and finance education if the educators are reasonably responsive to industry's needs.

J. Utilization of the Elko Tract

Some years ago the state acquired from the federal government at Elko in the eastern section of Henrico County a tract of land consisting of approximately 2,372 acres, which was originally intended for the Department of Mental Hygiene and Hospitals to use for a state institution. In a recent change in their program this Department came to the conclusion not to use this land, but rather to erect the proposed institution near Petersburg.

The Elko site is located 12 miles from downtown Richmond and 4½ miles from Sandston on State Highway 156. Approximately \$500,000 has been spent there to provide a water supply from wells, a water storage tank with a 500,000 gallon capacity, a small sewerage disposal plant, as well as roads suitable for light traffic, and other improvements. The main line of the Chesapeake & Ohio Railway runs along its southern boundary, and it is feasible for spur lines to be constructed to possible plant locations. Our Commission believes that this land has good possibilities for use as a site for either a planned industrial district or for a few large plant locations, and in this connection, it is worth noting that there is only a very limited number of large acreages still available in the metropolitan Richmond area which can be used for industrial sites.

We recommend that consideration be given to development of this property for industrial purposes by its transfer by act of the Legislature to a development corporation or authority created by the Legislature for the purpose of promoting and selling the land in question for industrial uses only. This corporation would be a non-profit organization empowered to sell revenue bonds in order to provide necessary utilities and other facilities required by prospective purchasers. The value to be set on the land should be determined by a group of independent appraisers and should be sufficient to give the state a fair return on its investment, when the values of other similar land in the Richmond metropolitan area are considered. Finally, the corporation should use established and reputable real estate agents in the promotion and sale of the property.

This corporation is to be managed by a board of directors consisting of nine persons appointed by the Governor with representation as follows: 3 members from the Commission of Economic Development, The Director of Economic Development, 3 residents of the City of Richmond, and 2 residents of Henrico County. The corporation will have such full time employees as the board of directors may determine necessary, and this staff can be supplemented on occasion by personnel assigned to the Industrial Development Division of the Department of Economic Development. The board will be required to place limitations on the use of property sold so that speculation will be avoided and the greatest part of the acreage devoted to industrial sites. The board will also have the power to determine whether part or all of the acreage is to be used for a planned industrial district or for sale to a few large plants, where greater acreages are required than in the case of the light manufacturing and distribution activities normally associated with industrial districts in other localities.

We believe that this land is suitable for light manufacturing, including such products as electronics, light metal fabrication, and assembly operations. There is no large source of process water so the possibility of heavy industrial use is largely ruled out.

PERCENT

State	Manufacturing
Maine	32.
New Hampshire	39.
Vermont	30.
Massachusetts	37.
Rhode Island	41.
Connecticut	46.
New York	30.
New Jersey	41.
Pennsylvania	40.
Ohio	44.
Indiana	44.
Illinois	36.
Michigan	49.
Wisconsin	39.
Minnesota	21.
Iowa	21.
Missouri	27.
North Dakota	3.
South Dakota	6.
Nebraska	14.
Kansas	22.
Delaware	44.
Maryland	27.
Virginia	21.
West Virginia	27.
North Carolina	31.
South Carolina	35.
Georgia	26.
Florida	10.
Kentucky	25.
Tennessee	29.
Alabama	27.
Mississippi	17.
Arkansas	17.
Louisiana	19.
Oklahoma	15.
Texas	18.
Montana	10.
Idaho	14.
Wyoming	8.
Colorado	14.
New Mexico	10.
Arizona	11.
Utah	14.
Nevada	5.
Washington	24.
Oregon	27.
California	25.
United States	31.

1 From Trade Measures

act be promoted as
es the Legislature to
s necessary in order
tals authority to dis-
ial purposes.

EXHIBIT 1
PERCENTAGE DISTRIBUTION OF INCOME BY ORIGIN
IN THE UNITED STATES, 1956¹

State	Manufac- turing	Wholesale and Retail Trade	Services	Farms	Contract Con- struction	Mining	Federal Govern- ment	State and Local Gov-
Maine	32.9	19.6	9.3	9.2	7.2	.2	4.2	6.0
New Hampshire	39.2	17.4	11.3	3.8	7.1	.1	4.4	6.2
Vermont	30.6	19.4	12.3	10.9	4.0	1.1	3.1	6.7
Massachusetts	37.6	19.6	12.6	1.0	5.7	.2	3.7	7.0
Rhode Island	41.9	19.0	10.5	.9	5.4	.1	5.0	6.0
Connecticut	46.3	16.4	11.2	1.8	6.4	.1	1.4	5.4
New York	30.1	22.5	14.7	1.2	4.9	.2	2.9	7.6
New Jersey	41.3	18.2	11.7	1.2	6.6	.2	2.4	5.6
Pennsylvania	40.5	17.7	10.2	1.8	5.7	2.8	3.5	5.1
Ohio	44.5	17.4	9.1	2.9	6.6	.8	2.7	5.2
Indiana	44.0	18.0	7.5	6.2	5.4	.8	2.1	5.3
Illinois	36.3	20.3	10.9	4.0	6.1	1.0	2.4	5.4
Michigan	49.7	17.0	8.5	2.2	5.9	.7	1.4	6.2
Wisconsin	39.1	19.2	9.0	8.1	6.0	.4	1.6	6.6
Minnesota	21.7	21.7	10.4	12.3	8.3	2.0	2.2	7.3
Iowa	21.4	22.7	9.1	20.1	5.1	.4	2.2	7.2
Missouri	27.3	22.6	10.7	8.9	7.0	.6	3.0	4.9
North Dakota	3.1	23.0	8.7	36.5	5.4	1.3	3.2	7.1
South Dakota	6.3	25.6	9.9	25.3	6.8	1.5	5.6	8.4
Nebraska	14.1	24.9	10.5	15.3	6.2	.6	4.2	8.0
Kansas	22.1	22.0	9.7	9.8	7.6	3.4	3.5	7.1
Delaware	44.9	15.8	9.6	3.8	8.7	.....	1.9	4.9
Maryland	27.6	18.6	12.2	2.0	8.1	.3	12.2	5.8
Virginia	21.2	19.9	10.4	6.1	5.9	1.5	14.7	6.5
West Virginia	27.6	16.0	7.9	3.4	4.5	19.6	1.9	5.7
North Carolina	31.9	19.0	9.4	15.3	5.3	.3	2.7	6.5
South Carolina	35.2	18.4	9.0	11.6	5.6	.2	4.6	6.6
Georgia	26.9	21.9	10.5	9.9	6.0	.4	5.7	5.9
Florida	10.9	25.4	15.9	8.8	10.4	.7	4.4	8.3
Kentucky	25.7	18.8	10.0	10.8	7.0	5.9	4.0	5.6
Tennessee	29.5	20.7	10.9	8.9	6.5	.9	5.4	6.1
Alabama	27.6	18.5	9.9	11.6	5.1	2.3	7.1	6.7
Mississippi	17.8	20.5	9.3	26.6	4.3	1.1	4.0	7.0
Arkansas	17.6	18.0	9.5	26.2	4.7	2.0	4.2	5.9
Louisiana	19.6	20.8	12.6	7.4	6.6	6.9	3.1	8.3
Oklahoma	15.4	22.9	10.8	7.4	6.7	10.0	6.7	7.1
Texas	18.3	23.2	11.2	8.7	7.3	6.6	4.2	6.2
Montana	10.1	18.2	9.3	24.2	6.0	7.7	3.5	7.1
Idaho	14.8	20.5	11.0	19.3	7.0	3.1	3.9	7.4
Wyoming	8.5	17.7	10.3	12.3	7.8	11.0	4.9	8.7
Colorado	14.6	24.9	12.2	6.2	9.0	3.5	7.2	7.2
New Mexico	10.2	19.4	12.4	9.3	8.8	8.5	9.0	8.8
Arizona	11.4	19.5	12.7	14.2	9.6	6.4	5.5	8.5
Utah	14.8	20.6	9.3	6.6	8.6	7.0	11.3	11.3
Nevada	5.3	20.0	26.4	4.3	12.8	6.6	5.1	5.1
Washington	24.9	21.1	10.5	7.1	7.5	.3	6.4	6.4
Oregon	27.3	22.8	11.3	7.7	5.9	.3	3.4	3.4
California	25.1	20.6	13.2	6.0	7.7	.9	4.7	4.7
United States	31.3	20.1	11.2	5.9	6.4	1.7	4.0	6.5

¹ From Trade Measures Letter of the Econometric Institute, Inc., for May 10, 1957.

EXHIBIT 2

FIGHT FOR NEW INDUSTRY LIKELY TO GROW HOTTER ¹

By Sam Dawson

New York, September 27.

New factors today are entering into the scramble of the states to lure more industries.

The stakes are big. Business is spending at a 37 billion dollar a year clip for new plants and equipment. Until recently about half of that was going out for new plants instead of for modernization of old ones.

Countless localities, 46 of the states, many utilities, railways, banks are estimated to be spending 37 million dollars this year to attract new plants to sites they serve. More than 6,000 separate organizations are reported participating in this commercial war.

But the contest is taking on some new aspects:

One unknown quantity is what effect, if any, the rising racial tensions in various parts of the nation might have on industrial planning. The coming of the St. Lawrence Seaway will affect the jockeying for position. The fast growing Southwest and far West is building new markets to be served.

Race Already Hot

The race already is hot enough.

Arkansas has attracted 90 new industries there since its industrial development board was launched two years ago with Winthrop Rockefeller as a moving light.

Mississippi added 49 new plants just last year. Louisiana has brought in many new industries, with a huge chemical plant growth under way. The textile industry has blossomed throughout the South.

The northern tier of states has its own drive well under way before the seaway arrives. Ohio, Indiana, Illinois, Michigan, Minnesota have state plans for luring more factories. The New York state commerce commission is bringing 400 community representatives together next week to launch a fresh drive.

Many devices are used to lure new industry.

A typical one is the Mississippi law which authorizes communities to finance the purchase of land and building of new plants for industry by floating bonds. Since the community owns the site and plant and only leases them, the project is free of state taxes, and new firms are exempted from local and county ad valorem taxes for five years.

The state's agricultural and industrial board reports this plan has helped it raise payrolls in the state's manufacturing industries by 75.5 per cent in 10 years, with 45,000 new jobs being added last year.

The battle between the states seems likely to grow hotter with the new factors and imponderables.

¹ From Richmond News Leader for September 27, 1957

New England fig
industry. The Massa
England Council talks
and its greater Burlin
that landed a new busi

In the fast grow
summer sports areas
come-on it helps incon
would be transferred

Alaska, Hawaii a
development agencies.

EXHIBIT 2 (Continued)

New England fights back hard after the loss of part of its textile industry. The Massachusetts Department of Commerce and the New England Council talks up diversified industries. Vermont advertises widely and its greater Burlington industrial crops is an example of a city's drive that landed a new business machine factory.

In the fast growing Southwest, Arizona advertises its winter and summer sports areas as an attraction for workers in new plants. As a come-on it helps incoming corporations show the state off to workers who would be transferred from other localities.

Alaska, Hawaii and Puerto Rico also have their own planning and development agencies.

HOTTER ¹

t, September 27.

of the states to lure

billion dollar a year
out half of that was
n of old ones.

ies, railways, banks
year to attract new
organizations are re-

ising racial tensions
trial planning. The
ekeying for position.
; new markets to be

since its industrial
Winthrop Rockefeller

uisiana has brought
with under way. The

nder way before the
innesota have state
mmerce commission
ext week to launch

izes communities to
nts for industry by
and plant and only
firms are exempted

ports this plan has
industries by 75.5
last year.

ow hotter with the

1957

EXHIBIT 3

RESUME OF ACTIVITIES OF THE DIVISION OF PLANNING AND ECONOMIC DEVELOPMENT

Although the Division operates as a unit, it is comprised of four sections, each of which supplements the work of the others in accomplishing the Division's major objectives: industrial development and local planning assistance. Local planning is a necessary adjunct to industrial development, while the sections of Research and Statistics and of Mapping and Surveys provide material and services essential to the furtherance of industrial development and local planning. In addition to the staff of the Richmond office the Division has a field office in Southwest Virginia which carries on all phases of the Division's operations in that area.

Industrial Development—During the period 1953-57 the Division received 338 inquiries from substantial industrial prospects. All of these prospects were contacted several times and individual brochures containing specific information indicated in each case were prepared for 130 of them. Twenty-nine of these industries have located in Virginia and at the present time 66 of them are in the "active" file with decisions pending as to location. The 29 new industries with which the Division worked and which are now operating in Virginia, represent an employment of 9,325.

In the past four years representatives of the Industrial Development Section have attended more than 500 meetings ranging from talks to small civic groups to participation in large conventions. Since 1953 there has been a statewide movement toward the organization of local industrial development corporations in Virginia, their number now having reached a total of 56, with the Division taking a leading part in the organization of 38 of these corporations. In some cases the Industrial Development Section has been able to cooperate with a local industrial development organization in bringing an industry into the community.

It is the policy of the Division to keep in touch with all areas and communities of the state to foster economic development, and during the past four years 3,008 letters have been written and numerous telephone calls made to localities in the state and to industrial prospects. This activity is increasing and the limited staff finds it difficult to keep up with the inquiries that are coming in. If the State of Virginia is to keep, much less improve, its relative position in soliciting new industries and meet the ever-increasing competition of other states, it is essential that the future program of the Industrial Development Section be enlarged and provision made to improve the salaries of its personnel to an extent that will make them attractive to qualified personnel who can go to other states or private industry.

The Virginia State Ports Authority has offices and representatives in Washington, New York and Chicago, and is in a strategic position through these contacts and otherwise to sell Virginia as a good place for industry. If possible, more of its efforts should be devoted to new industry, and even closer coordination should be effected with the Industrial Development Section and other state agencies.

Local Planning—The Local Planning Section has the responsibility of providing planning services to any county, city, or town from which a request is received. The section is called upon for a wide range of services including advice on creating and organizing planning commissions, preparing base maps, conducting land use surveys, assisting in the preparation

of zoning and subdivision plans, future land uses, is pursued with the unite in the various unnecessary. Through the standing of the planning can operate on its own.

As of January 1, state, of which 44 were During 1957 one additional organized and several local commissions. A steady organized planning in Virginia only 30 planning commissions. Section has not been received a commission in the state in the organization of w

The program of a logical and orderly development expansion of industry, soundly without the con growth—a fact which a new location. There is Section has had considerable

Planning, because of The elements of planning street plans—must be changing conditions. It in 1927 would adequately secure industry for Virginia be placed upon the program made to increase the state

Research and Statistics serves the other section tion as needed, and serves Virginia Economy. During been spent on reports for a report on the impact growth published in March

During the period developed in Southwest to make studies of the Research Section on the west Triangle, Past and Asset; Minerals for Industry; Water Resources; Growth; Survey of Capital Portland Cement Plant.

In addition to reports statistical materials for other agencies throughout

EXHIBIT 3 (Continued)

THE DEVELOPMENT

comprised of four sections in accomplishing state and local planning of industrial development and of Mapping and the furtherance of industry to the staff of the Southwest Virginia which at area.

In 1957 the Division respects. All of these brochures contained prepared for 130 of in Virginia and at with decisions pending Division worked and employment of 9,325.

Industrial Development from talks to small Since 1953 there has a of local industrial now having reached in the organization of al Development Section development or-

with all areas and ment, and during the numerous telephone al prospects. This cult to keep up with nia is to keep, much industries and meet s essential that the on be enlarged and el to an extent that an go to other states

and representatives a strategic position as a good place for ed to new industry, the Industrial De-

the responsibility of own from which a de range of services g commissions, pre- g in the preparation

of zoning and subdivision ordinances, making suggestions on major street plans, future land uses, population, and related ventures. All of this work is pursued with the understanding that the local commission will participate in the various undertakings and supply data and information as necessary. Through this method the local commission gains an understanding of the planning process and eventually reaches the point where it can operate on its own.

As of January 1, 1957 there were 133 planning commissions in the state, of which 44 were county, 56 town, 30 city, and 3 regional bodies. During 1957 one additional regional planning commission has been organized and several localities are considering the creation of local planning commissions. A steady growth, however, has marked the development of organized planning in Virginia; for example, twenty years ago there were only 30 planning commissions in the entire state. The Local Planning Section has not been responsible for the organization of every planning commission in the state, but records indicate that it has been instrumental in the organization of well over half of them.

The program of a planning commission is vitally important to the logical and orderly development of a community. It is inconceivable that expansion of industry, either established or incoming, can take place soundly without the concomitant of well-balanced planning for community growth—a fact which is universally recognized by industry in seeking a new location. There is no doubt that the program of the Local Planning Section has had considerable effect on the location of industry in Virginia.

Planning, because of its ever changing nature, is a continuing process. The elements of planning—land use, zoning, subdivision control, and major street plans—must be constantly reviewed and altered to meet new and changing conditions. It is highly doubtful that a zoning ordinance written in 1927 would adequately serve an area today. Consequently, if efforts to secure industry for Virginia are to be expanded, greater emphasis must be placed upon the program of local planning and provisions should be made to increase the staff of this section.

Research and Statistics—The Section on Research and Statistics serves the other sections of the Division by furnishing factual information as needed, and serves as secretariat for the Advisory Council on the Virginia Economy. During the past four years a great deal of time has been spent on reports for the Advisory Council. Foremost among these is a report on the impact of state and local taxes on Virginia's industrial growth published in March and August, 1957.

During the period of this report a very serious economic situation developed in Southwest Virginia and the Governor requested the Division to make studies of the area. The following reports were made by the Research Section on the economy of Southwest Virginia: *Virginia's Southwest Triangle, Past and Present*; *An Expanding Labor Force, a Major Asset*; *Minerals for Industrial Development*; *Forest Resources, an Opportunity*; *Water Resources Adequate to Support Industrial and Urban Growth*; *Survey of Captive and Competitive Markets for a Clinch Valley Portland Cement Plant*.

In addition to reports of this type the Research Section prepares statistical materials for use by other sections of the Division and such other agencies throughout the state as have need for them. One of the most

EXHIBIT 3 (Continued)

important of its activities has been the publication and revision of the county economic data summaries covering every county in Virginia. These have found wide favor with all industrial agencies across the state, and in conjunction with the county summaries there has been developed a state-wide economic data summary.

In the four-year period the following statistical reports have been published: *New Manufacturing Construction in Virginia*; *New Manufacturing Establishments in Virginia, 1950-1956, with Prospects for 1957 and 1958*; *Industrial Research Laboratories in Virginia*; and *Summary of Legislation and Activities of State Planning and Development Agencies*.

This section also publishes regularly the *Virginia Economic Review* and *Planning and Development Notes*.

Mapping and Surveys—This section is constantly busy preparing maps of various types for the localities of the state. No program of planning and development can be carried on without base maps and many individual drawings and reports. In addition there have been prepared 27 *Industrial Sites and Economic Data Surveys* of communities within the state and there are at the present time 10 in process and requests for 7 more. These surveys have been recognized as a great service to the Industrial Development Section and to the various communities, and an effort is being made to provide additional material of this type as rapidly as possible.

Field Office—Early in 1955 the Division established a field office at Abingdon in order to make it possible to be closer to the problems of Southwest Virginia which at that time were considerable as a result of the slump in the coal mining industry of the area. This office carries on all activities of the Division in the western section of the state, and works with planning and industrial development in the same manner as the central office.

The office has been extremely active and has worked with nearly every community in the western part of Virginia. Since the office was established, several industries with which the Field Representative has worked have located in the area, and many planning commissions have been organized through his efforts. In addition to these primary responsibilities, the field office has rendered considerable service directly to the Department of Conservation and Development by supervising other activities of the department in that area, such as the Southwest Virginia Museum, the Breaks Park, etc.

Summary of Functions and Appropriations Planning and Development Agencies of States

ALABAMA
State Planning and Industrial Development Board
ARKANSAS
Industrial Development Commission
ARIZONA
Development Board
COLORADO
1. State Planning Commission
2. Advertising & Publicity Commission
CONNECTICUT
Development Commission
DELAWARE
State Development Department
FLORIDA
Development Commission
GEORGIA
Department of Commerce
IDAHO
Department of Commerce and Development
ILLINOIS
Division of Industrial Planning and Development
INDIANA
Economic Council
IOWA
Development Commission
KANSAS
Industrial Development Commission
KENTUCKY
Department of Economic Development
LOUISIANA
1. Dept. of Public Works
2. Dept. of Commerce and Industry

and revision of the
in Virginia. These
ss the state, and in
a developed a state-

reports have been
ia; *New Manufac-*
spects for 1957 and
and Summary of
ment Agencies.
Economic Review

usy preparing maps
rogram of planning
and many individual
pared 27 *Industrial*
within the state and
s for 7 more. These
Industrial Develop-
effort is being made
possible.

ned a field office at
problems of South-
result of the slump
ries on all activities
works with planning
central office.

d with nearly every
ne office was estab-
entative has worked
sions have been or-
ary responsibilities,
ctly to the Depart-
g other activities of
rginia Museum, the

EXHIBIT 4

Summary of Functions and Appropriations of Planning and Develop- ment Agencies of all States

	Advertising a. Tourist b. Industrial	Field solicitation of industry	Agricultural development of industry	Development of recreation areas	Planning: a. Assistance to localities b. For operation of state government	Research by agency: a. Industrial b. Market c. Resources d. Local industrial surveys or other agency State industrial surveys (Not financed by state)	Service rendered other depts. of state	Budget (1954) *Indicates biennium
ALABAMA State Planning and Industrial Development Board	x x x			x	x x x x			\$ 120,000
ARKANSAS Industrial Development Commission	x x	x x	x x	x	x	x x		n. a.
ARIZONA Development Board	x x		x		x x x x	x	x	50,000
COLORADO 1. State Planning Commission 2. Advertising & Publicity Commission	x x			x	x x x x	x	x	50,000
CONNECTICUT Development Commission	x x	x	x x	x	x x x x	x	x	*177,893
DELAWARE State Development Department	x x	x	x	x	x x x	x	x	34,000
FLORIDA Development Commission	x x	x x	x		x x x x	x x	x	n. a.
GEORGIA Department of Commerce	x x	x x	x x	x	x x x	x	x	n. a.
IDAHO Department of Commerce and Development	x x			x				n. a.
ILLINOIS Division of Industrial Plan- ning and Development	x x	x	x	x	x x x x			100,000 (1955)
INDIANA Economic Council	x x			x	x x x x	x	x	40,670
IOWA Development Commission	x x	x x			x x	x	x	80,000
KANSAS Industrial Development Commission	x x	x	x		x x x x	x x		218,643
KENTUCKY Department of Economic Development		x x		x	x x x x		x	2,201,092
LOUISIANA 1. Dept. of Public Works 2. Dept. of Commerce and Industry	x x	x	x		x x x x	x	x	n. a. 25,000

EXHIBIT 4 (continued)

	Advertising a. Tourist b. Industrial	Field solicitation of industry	Agricultural Development of industry	Development of recreation areas	Planning: a. Assistance to localities b. For operation of state government	Research by agency: a. Industrial b. Market c. Resource d. Local industrial surveys or other agency	State industrial surveys (Not financed by state university)	Service rendered other depts. of state	Budget (1954) *Indicates blending
MAINE Department of Development of Industry and Commerce	x x	x	x		x	x x x x	x	x	\$ 325,000
MARYLAND State Planning Commission	x				x	x x x x	x	x	75,773
MASSACHUSETTS Department of Commerce	x x	x	x	x	x	x x x	x	x	500,000
MICHIGAN 1. Department of Economic Development 2. Michigan Tourist Council	x	x	x			x x x x	x		224,444
MINNESOTA Dept. of Business Development	x x	x		x		x x x x	x	x	176,562
MISSISSIPPI Agricultural & Industrial Board	x x	x	x			x x	x		*450,000
MISSOURI Division of Resources and Development	x x			x	x	x			n. a.
MONTANA State Planning Board	x	x	x			x x x	x		25,000
NEBRASKA Division of Nebraska Resources	x x		x	x	x x	x x	x	x	50,000
NEVADA State Planning Board	x			x	x x	x			n. a.
NEW HAMPSHIRE State Planning and Economic Development Commission	x	x	x		x	x x x x	x	x	254,910
NEW JERSEY Division of Planning and Development	x x	x		x	x x	x		x	232,795
NEW MEXICO Economic Development Commission	x x	x	x	x	x	x x x x	x		n. a.
NEW YORK Department of Commerce	x x	x			x	x x x x	x	x	2,356,136
NORTH CAROLINA Department of Conservation and Development	x x	x	x	x		x x x x	x	x	2,513,923
NORTH DAKOTA Research Foundation						x	x	x	*85,000

OHIO
Development and Publicity
Commission

OKLAHOMA
1. Dept. of Commerce & Indus
2. Planning & Resources Board

OREGON
Development Commission

PENNSYLVANIA
1. Department of Commerce
2. State Planning Board

RHODE ISLAND
Development Council

SOUTH CAROLINA
State Research, Planning and
Development Board

SOUTH DAKOTA
Natural Resources Commission

TENNESSEE
1. Industrial and Agriculture
Development Commission
2. State Planning Commission

UTAH
Committee on Industrial and
Employment Planning

VERMONT
Development Commission

VIRGINIA
1. Division of Planning and
Economic Development
2. Division of Public Relations
and Advertising

WASHINGTON
Department of Conservation
and Development

WEST VIRGINIA
Industrial & Publicity Commission

WISCONSIN
State Planning Division

WYOMING
Natural Resources Board

ONTARIO
Dept. of Planning & Development
Dept. of Travel & Publicity

EXHIBIT 4 (continued)

Other surveys done by state university State Industrial Development Corp. (Not financed by state) Services rendered other depts. of state Budget (1954) *Indicates biennium			Advertising a. Tourist b. Industrial Field solicitation of industry Agricultural development in program Development of recreation areas Planning: a. Assistance to localities b. For operation of state government Research by agency: a. Industrial b. Market c. Resources Research done by state university or other agency State Industrial Development Corp. (Not financed by state) Services rendered other depts. of state Budget (1954) *Indicates biennium											
x	x	\$ 325,000	OHIO Development and Publicity Commission	x	x		x		x		x		x	85,571
			OKLAHOMA 1. Dept. of Commerce & Industry	x	x				x	x			x	236,000
	x	75,773	2. Planning & Resources Board	x	x	x		x		x			x	n. a.
x	x	500,000	OREGON Development Commission	x	x	x				x	x	x	x	*50,000
			PENNSYLVANIA 1. Department of Commerce	x	x	x			x		x	x	x	*996,000
		224,444	2. State Planning Board						x					*300,000
	x	176,562	RHODE ISLAND Development Council	x	x	x		x	x	x	x	x	x	271,720
		*450,000	SOUTH CAROLINA State Research, Planning and Development Board	x	x	x					x	x	x	243,540
		n. a.	SOUTH DAKOTA Natural Resources Commission	x	x	x	x	x	x	x	x	x	x	*75,000
		25,000	TENNESSEE 1. Industrial and Agricultural Development Commission	x	x		x		x				x	95,000
	x	50,000	2. State Planning Commission						x	x	x	x	x	119,250
		n. a.	UTAH Committee on Industrial and Employment Planning	x			x			x	x	x	x	n. a.
			VERMONT Development Commission	x	x	x	x	x	x	x	x	x	x	160,000
x	x	254,910	VIRGINIA 1. Division of Planning and Economic Development				x			x	x	x	x	114,850
	x	232,795	2. Division of Public Relations and Advertising	x	x									
		n. a.	WASHINGTON Department of Conservation and Development	x			x				x	x	x	*520,541
x	x	2,356,136	WEST VIRGINIA Industrial & Publicity Commis'n	x	x	x		x	x		x	x	x	88,940
	x	2,513,923	WISCONSIN State Planning Division	x			x		x	x	x	x	x	n. a.
	x	*85,000	WYOMING Natural Resources Board	x	x	x				x	x		x	*191,000
			ONTARIO Dept. of Planning & Development	x			x		x		x	x	x	
			Dept. of Travel & Publicity	x										

EXHIBIT 5
DEPARTMENT OF CONSERVATION & DEVELOPMENT
Summary of Appropriations and Requests for Operating Expenditures, 1952-1960

Divisions	Approp. 1952-53	Approp. 1953-54	Approp. 1954-55	Approp. 1955-56	Approp. 1956-57	Approp. 1957-58	Request 1958-59	Request 1959-60	Increase or Decrease	
									1958-59 Compared with 1957-58	1959-60 Compared with 1957-58
Administration	\$32,424	\$28,425	\$29,400	\$29,600	\$107,250	\$72,350	\$43,707	\$43,427	(\$28,643)	(\$28,923)
Public Relations & Advtg.	180,000	180,000	200,500	200,100	321,900	247,240	507,228	506,396	259,988	259,156
Operation of State Parks	221,285	223,640	236,000	238,000	230,850	231,850	252,735	256,285	20,885	24,435
Civilian Cons. Corps.....	53,620	54,303	82,820	71,320	89,700	74,700	91,895	102,930	17,195	28,230
Adm. & Protection St. Forests	34,100	32,450	50,760	50,410	45,435	44,685	63,330	63,855	18,645	19,170
Special					(45,435)	(44,685)	(63,330)	(63,855)	(18,645)	(19,170)
Forest Serv. to Landowners	89,065	92,110	112,525	115,525	171,000	176,000	256,795	263,365	80,795	87,365
General					(138,000)	(143,000)	(223,795)	(230,365)	(80,795)	(87,365)
Special					(33,000)	(33,000)	(33,000)	(33,000)		
Protection & Development of Forest Resources	659,390	671,983	712,240	732,240	841,500	845,000	1,387,520	1,405,005	542,520	560,005
General					(382,800)	(380,300)	(759,320)	(796,805)	(379,020)	(416,505)
Special					(458,700)	(464,700)	(628,200)	(608,200)	(163,500)	(143,500)
Investigation & Control of Infestation	18,800	18,800	20,700	18,072	26,750	26,250	41,315	42,060	15,065	15,810
Mineral Resources	113,150	114,800	122,650	124,150	127,180	127,680	267,081	261,453	139,401	133,773
Topographic Mapping	30,000	30,000	32,500	32,500	35,000	35,000	60,000	60,000	25,000	25,000
Water Resources	61,250	62,250	72,580	72,580	102,320	138,500	145,582	147,766	7,082	9,266
Planning & Econ. Development	80,491	81,597	112,850	114,350	129,000	131,600	157,877	160,649	26,277	29,049
Jamestown Festival Park							379,810	357,560	379,810	357,560
Miscellaneous	12,670	13,080	14,100	14,700	24,180	24,610	27,439	27,461	2,829	2,851
Total for the Department	1,586,245	1,603,438	1,799,625	1,813,547	2,252,065	2,175,465	3,682,314	3,698,212	1,506,849	1,522,747
To be paid from General Funds					1,709,430	1,627,580	2,952,484	2,987,857	1,324,904	1,360,277
To be paid from Special Funds					542,635	547,885	729,830	710,355	181,945	162,470

EXHIBIT 5 (Continued)
DEPARTMENT OF CONSERVATION & DEVELOPMENT
Summary of Appropriations and Requests for Operating Expenditures, 1952-1960

Index Figures for Preceding								Increase or Decrease	
1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1958-59 with 1957-58	1959-60 with 1957-58

Planning & Econ. Development	80,491	81,597	112,850	114,350	129,000	131,600	157,877	160,649	26,277	29,049
Jamestown Festival Park	12,670	13,080	14,100	14,700	24,180	24,610	379,810	357,560	379,810	357,560
Miscellaneous	1,586,245	1,603,438	1,799,625	1,813,547	2,252,065	2,175,465	27,439	27,461	2,829	2,851
Total for the Department							3,682,314	3,698,212	1,506,849	1,522,747
To be paid from General Funds					1,709,430	1,627,580	2,952,484	2,987,857	1,324,904	1,360,277
To be paid from Special Funds					542,635	547,885	729,830	710,355	181,945	162,470

EXHIBIT 5 (Continued)

DEPARTMENT OF CONSERVATION & DEVELOPMENT

Summary of Appropriations and Requests for Operating Expenditures, 1952-1960

Index Figures for Preceding									Increase or Decrease	
	1952-53	1953-54	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1958-59 with 1957-58	1959-60 with 1957-58
Administration	100.00	87.66	90.67	91.29	330.77	223.13	134.79	133.93	(29.58)	(39.97)
Public Relations & Advtg.	100.00	100.00	111.38	111.16	178.83	137.35	281.79	281.33	105.15	104.81
Operation of State Parks	100.00	101.06	106.64	107.55	104.32	104.77	114.21	115.81	9.00	10.53
Civilian Cons. Corps	100.00	101.27	154.45	134.87	167.28	139.31	171.38	191.96	23.01	37.79
Adm. & Protection St. Forests	100.00	95.16	148.85	147.82	133.24	131.04	185.71	187.34	41.72	42.90
Forest Serv. to landowners	100.00	103.41	126.34	129.70	191.99	197.60	288.32	295.69	45.90	49.63
Protection & Development of Forest Resources	100.00	101.90	108.01	111.04	127.61	128.14	210.42	213.07	64.20	66.27
Investigation & Control of Infestation	100.00	100.00	110.10	96.12	142.28	139.62	219.76	223.72	57.39	60.22
Mineral Resources	100.00	101.45	108.39	109.72	112.39	112.84	236.04	231.06	109.17	104.77
Topographic mapping	100.00	100.00	108.33	108.33	116.66	116.66	200.00	200.00	71.42	71.42
Water Resources	100.00	101.63	118.49	118.49	167.95	226.12	237.68	241.25	5.11	6.69
Planning & Econ. Dev.	100.00	101.37	140.20	142.06	160.26	163.49	196.14	199.58	19.96	22.07
Jamestown Festival Park	100.00	103.23	111.28	116.92	190.84	194.23	216.56	216.74	11.49	11.53
Miscellaneous	100.00	101.08	113.45	114.32	141.97	137.14	232.14	233.14	69.26	69.99
Total for the Department										
To be paid from General Funds									81.40	83.57
To be paid from Special Funds									33.20	29.65

CHART OF PROPOSED DEPARTMENT OF ECONOMIC DEVELOPMENT

76

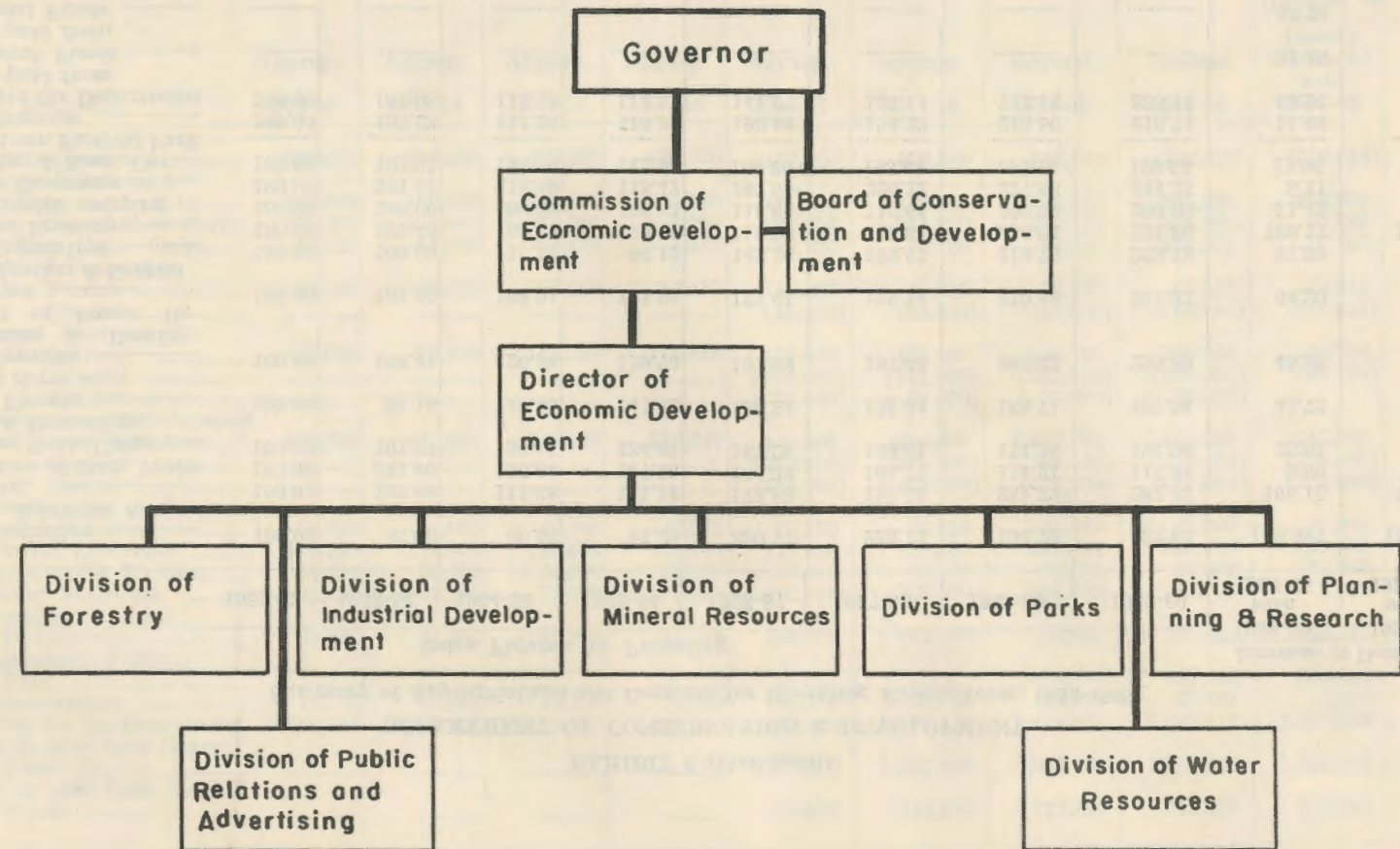


EXHIBIT 6 (Continued)

VIRGINIA DEPARTMENT OF CONSERVATION AND DEVELOPMENT

PRESENT ORGANIZATION CHART

```

graph TD
    Governor[GOVERNOR]
  
```

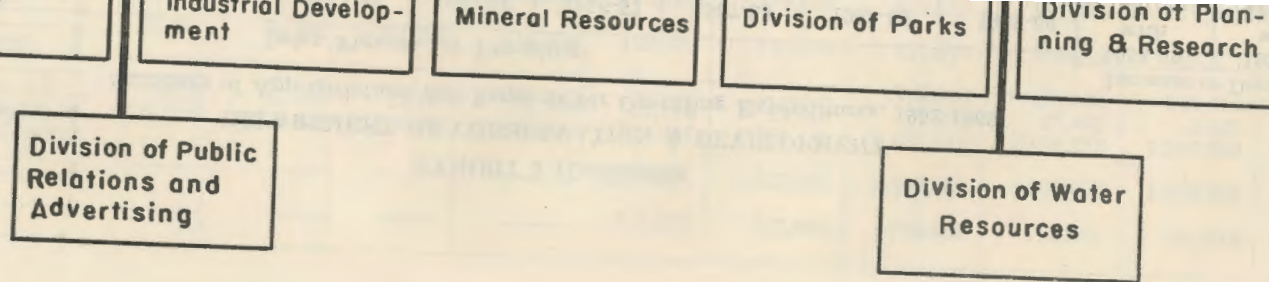



EXHIBIT 6 (Continued)

VIRGINIA DEPARTMENT OF CONSERVATION AND DEVELOPMENT

PRESENT ORGANIZATION CHART

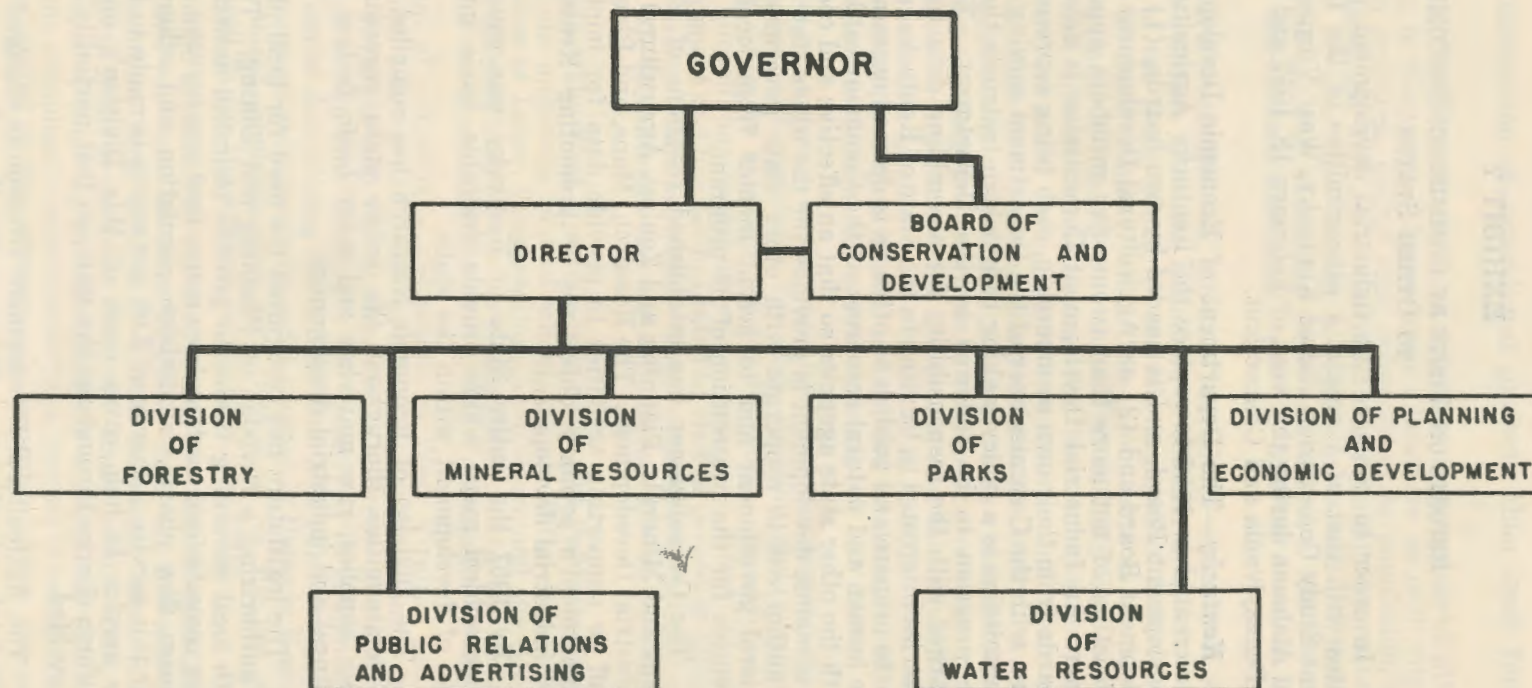


EXHIBIT 7

REPORTS ON VISITS BY COMMISSION SUBCOMMITTEE TO OTHER STATES

In order to compare the industrial development programs of other states with that of Virginia, a subcommittee of the Industrial Development Study Commission visited Kentucky, West Virginia, North Carolina, and Alabama during the week of February 18, 1957 and in May, 1957 went to Pennsylvania and Connecticut.

Kentucky—The Department of Economic Development of Kentucky was created in 1956 to replace the Kentucky Agricultural and Industrial Development Board, and is headed by two boards, (1) an Industrial Development Board and (2) an Agricultural Development Board, each board consisting of not more than twenty-five members appointed by the governor. An Industrial Development Commission is selected by these two Boards from their own membership, each being represented by four members, with the Commissioner of the Department serving as chairman. This Commission is a policy-making body which instructs the Commissioner on the program to be followed by the Department. The Department is charged with the responsibility for assembling data for assistance to industries interested in locating in the State of Kentucky, and its other duties are to prepare and publish as often as is deemed necessary an inventory of the human and natural resources of the Commonwealth, and to cooperate with the other state agencies so that an effective and coordinated program of economic development is provided for the whole state. The Department is authorized to cooperate with other state governments and with the federal government and to accept monies from local, state or federal agencies for the prosecution of its program.

The Commissioner has established Divisions of Economic Research, Maps and Minerals, Planning and Zoning, Agricultural Development, and Industrial Development. The Research, Maps, and Planning Divisions are staff or supporting activities to provide data for implementation of the Department's primary objectives of promoting Kentucky's agricultural and industrial development.

By 1957 the entire State of Kentucky was covered by up-to-date topographical maps which provide desirable, basic information for any type of development within the state.

The Division of Economic Research has compiled valuable statistics on communities throughout the entire state regarding their markets, labor supplies, raw materials and other basic factors pertinent to agricultural and industrial development.

The legislature has recognized the need for local planning and zoning in authorizing a Division of Planning and Zoning. This division works with local governing bodies to provide technical assistance to local planning commissions, such as base maps, land use surveys, zoning ordinances, stream flow charts, subdivision regulation and other related subjects. For this service a charge of \$.08 per capita is made to the localities using the service to help cover costs of this Division's operation; this is a uniform charge throughout the state, so that partiality to any one section is avoided.

The Agricultural Development Division is engaged in developing new industrial and other uses for agricultural products, emphasis being more

upon effective utilization techniques.

The Industrial Development Study Commission has been providing new industry to localities has been providing supply, water resources, industries. The Development Study Commission representatives visit out plant sites.

Kentucky has a number of representatives of the utility firms as well as of the development work as a body to the Department and one of its most important visits for industrial development outside the state two or three days is going in a group to become acquainted with the possibilities of the part of the state is covered an equal opportunity.

The program in Kentucky comprises a director of persons, who are doing the work. Governor Chandler himself is doing the industrial development as well as write to the participation by the asset.

West Virginia—The West Virginia Division consists of six divisions of the Department of General. Two additional who also appoints the

The program in West Virginia is operating for some time by the present governor. The Commissioner has several divisions: (1) Publicity, (2) Tourism, (3) Tourist, of these divisions emphasis being placed on the Commission as well.

A rather unique development problems management consultation several years ago to was accomplished on a general survey the that seemed best s

EXHIBIT 7 (Continued)

upon effective utilization of agricultural products than upon farming techniques.

The Industrial Development Division carries out a program of attracting new industry to Kentucky. An up-to-date brochure on each city and locality has been prepared, giving such information as population, labor supply, water resources, and other pertinent data usually requested by industries. The Division also assists in the organization of local development corporations and in making plant site surveys, and its representatives visit out-of-state industrial firms to interest them in these plant sites.

Kentucky has a most effective, informal committee made up of representatives of the utilities, railroads, chambers of commerce, and industrial firms as well as of the Department, all actively engaged in industrial development work as their primary jobs. This group acts as an advisory body to the Department in dealing with industries desiring new locations, and one of its most effective contributions has been to sponsor periodic visits for industrial officials, management consultants, and trade publications outside the state to towns and plant sites in Kentucky. A trip of two or three days is usually planned with some 20 to 25 visiting executives going in a group to several towns within a section of the state in order to become acquainted on the spot with the people and the industrial possibilities of the particular locality. Care is taken to see that each section of the state is covered from time to time so that the whole state will have an equal opportunity to present its various assets.

The program in Kentucky is well organized, and the department staff comprises a director and assistants for each Division and numbers 35 persons, who are doing an excellent job for the state. In addition, Governor Chandler himself has taken an active and very direct interest in industrial development and has not hesitated to visit in person or telephone as well as write to important prospects. This personal interest and active participation by the Governor in any state's program is a most important asset.

West Virginia—The West Virginia Industrial and Publicity Commission consists of six members, four of whom are ex-officio, the Directors of the Departments of Labor, Conservation, Agriculture and the Attorney General. Two additional members at large are appointed by the Governor, who also appoints the Executive Director of the Commission.

The program of industrial development in West Virginia has been operating for some four or five years and has been very strongly backed by the present governor and his predecessor, Governor Marland. The Commissioner has set up four Divisions: (1) Industrial Development, (2) Publicity, (3) Tourist Advertising and Promotion, and (4) Surveys; each of these divisions operates in much the same manner as those in Kentucky, emphasis being placed on preparation of information for the use of the Commission as well as for the various localities of the state.

A rather unique approach to the solution of the state's industrial development problems was tried in West Virginia, when the services of the management consultant firm, Arthur D. Little Company, were retained several years ago to make a complete economic study of the state. This was accomplished over a period of approximately a year, and following a general survey the consultants recommended the specific types of industry that seemed best suited to the economy of the state. After the survey

EXHIBIT 7 (Continued)

was completed, the consultants were retained for an additional year to arrange meetings throughout the United States with industrial leaders in order to encourage them to locate plants in West Virginia. A series of luncheon engagements were arranged across the country to each of which 15 or 20 local industrial leaders were invited and where the representatives of Arthur D. Little and officials of West Virginia met with them and related the story of the economic advantages of West Virginia. Governor Marland attended all of these luncheons and had a large part in the program.

The contract price with the Arthur D. Little Company for the survey of the state was \$60,000 and it is estimated that possibly \$100,000 to \$125,000 additional was paid to the consultants for their program of promotion across the United States. At the present time this program has been discontinued, but it is planned to enlarge the staff of the Industrial and Publicity Commission, so that representatives of the Commission may approach industrial leaders and thereby encourage the industrial development of the state.

The Commission has sponsored for several years a very worthwhile program of regional industrial development meetings in which the representatives of local chambers of commerce, development corporations, business firms, utilities, banks and other business firms met to discuss the advantages of industrial development in such an area of the state and the ways and means to attract interest on the part of prospects. One of the most important results of these meetings has been to acquaint the local organizations with the type of facts and information which must be available for any industrial solicitation program, and compilations of these data are now available in many places where they formerly did not exist. Enthusiasm for a program of this kind is also generated at these meetings and various other helpful by-products result from this source of information.

It was the impression of the subcommittee that the program in West Virginia was not particularly well organized and that there was a considerable job still to be done to achieve a satisfactory industrial development program for the state.

North Carolina—In Raleigh, North Carolina the members of the subcommittee had the opportunity to attend a statewide gathering of industrial development agents as well as members and directors of chambers of commerce across the state, a meeting sponsored by the Division of Industrial Development of the State Department of Conservation and Development. After the meeting the Director of that Department discussed his program with the visitors from Virginia.

The Department of Conservation and Development is broken into several divisions generally comparable to the organization in Virginia. These are Divisions of Industrial Development, Advertising and Publicity, and Research. There is at present no Division of Local Planning, but it is contemplated that a program of local planning will be provided in the near future.

While North Carolina has had a rather comprehensive program for industrial development for several years, it appears that certain phases of its execution are not up to its planning. The Industrial Development Division is staffed by a director and seven or eight industrial agents who cover all sections of the state, all working from the Raleigh office and each

one responsible for action assigned to him. A committee of fifteen members appointed on industrial development. The Director of Industrial Development Committee has been very leading businessmen and top-level executives in the governor to serve as members.

Two years ago a private corporation was authorized to give financial help for new industries to cure without the aid of the government furtherance of industrial development, such as the National Corporations, have the same time to encourage a

Finally, a most important industrial development element is the energetic and able support of the government man in selling the state's products on paper advertising, public relations and inside the state. Further, he sponsored and pushed through the changes which make North Carolina multi-plant businesses the norm. The tax allocation formulas of the state have been influential in inducing investment. Allied-Kennecott Titanium, for example, dollar expansion of R. J.

In conclusion, North to serve on its Committee of the Department of Conservation and Forestry, rank and influence inside been very substantial in adequate financing of the industrial advertising.

Alabama—The Planning State of Alabama is comprised of 1955 to replace The Director of the Board similar to the sections in Development. The Alabama Statistics, Mapping and Survey In addition to these the 1 division appears to be re-

The Division of Local the localities across the state for planning services and directors of planning in the

EXHIBIT 7 (Continued)

one responsible for activities in a particular section of the state that is assigned to him. A committee on Commerce and Industry comprised of fifteen members appointed by the governor serves as an advisory body on industrial development, and the governor himself is chairman with the Director of Industrial Development a member of the Commission; this Committee has been very effective in getting widespread support by leading businessmen and business organizations, as a result largely of top-level executives in private enterprise having been persuaded by the governor to serve as members of this Committee.

Two years ago a privately-financed industrial development credit corporation was authorized by the North Carolina Legislature to provide financial help for new industries. The goal of this corporation is to procure without the aid of the state government a sum of \$10,000,000 for the furtherance of industrial development. In addition, regional development corporations, such as the Northwest North Carolina Regional Development Corporation, have been organized to promote the general economic development (agricultural and industrial) of various sections, and at the same time to encourage and assist local activities.

Finally, a most important factor in the success of North Carolina's industrial development efforts in recent years has been the very enthusiastic and able support of Governor Hodges, who has acted as a supersalesman in selling the state's opportunities to prospects by means of newspaper advertising, public announcements, and personal visits outside and inside the state. Furthermore, at the 1957 session of the legislature he sponsored and pushed to a successful conclusion a program of tax changes which make North Carolina a much more attractive location for multi-plant businesses than was the case previously. These changes in tax allocation formulas of their state income tax regulations have already been influential in inducing several large plants to be located there (e.g., Allied-Kennecott Titanium Corporation at Wilmington and a multi-million dollar expansion of R. J. Reynolds Tobacco Company at Winston-Salem).

In conclusion, North Carolina has been most successful in attracting to serve on its Committee on Commerce and Industry advisory to the Department of Conservation and Development business leaders of top rank and influence inside and outside the state, and their support has been very substantial in getting the necessary political support for adequate financing of the state's development program, particularly industrial advertising.

Alabama—The Planning and Industrial Development Board of the State of Alabama is comparatively new, having been set up by the legislature of 1955 to replace the former Planning and Agricultural Board. The Director of the Board has under his jurisdiction several divisions very similar to the sections in the Virginia Division of Planning and Economic Development. The Alabama divisions are responsible for Research and Statistics, Mapping and Surveys, Planning, and Industrial Development. In addition to these the Board has a Division of Advertising, and each division appears to be reasonably well staffed.

The Division of Local Planning Assistance is working with many of the localities across the state, and here as in Kentucky, a charge is made for planning services and members of the Division serve as technical directors of planning in the localities, a practice not followed in Virginia.

EXHIBIT 7 (Continued)

The Mapping and Surveys Division is doing an excellent job of getting together the basic facts on the counties of Alabama, with the costs of securing this information for the county surveys being borne by the local county governing bodies.

The Industrial Development Division works very closely with the chambers of commerce throughout the state and with local industrial development organizations. The organization of industrial development boards in each of the counties is encouraged, with the committees consisting of nine members appointed by the governing body of each county. The Alabama legislature permits communities to issue revenue bonds of the community to assist industries coming into the state with the erection of buildings or the purchase of land, or sometimes both. New industries in Alabama may receive an exemption of all state and local taxes for a period up to ten years.

In order for the industrial development program to be understood throughout the state, each year the Development Board holds a one-day seminar in each of the state's congressional districts, but there has been no attempt to set up any regional industrial development or planning commissions in Alabama.

The organizational arrangements and financing of the Alabama Planning and Industrial Development Board appear to be quite complete, and undoubtedly establish a basis upon which a very satisfactory program of planning and development for the state may be built. There, as in several other states visited, Governor Folsom has taken a great interest in this program and personally sponsored the creation of the new Planning and Industrial Development Board and the greatly increased appropriations for it each year since.

Pennsylvania—The Pennsylvania state organization for industrial development is quite different from that in any of the southern states visited. Within the State Department of Commerce there have been created the Bureau of Industrial Development, the Bureau of Commercial Development, and the Bureau of Travel and Recreation. Pennsylvania's Department of Internal Affairs handles geographic and topographic surveys. The Pennsylvania State Planning Board is not under the jurisdiction of the Department of Commerce.

Pennsylvania has a unique agency in the Pennsylvania Industrial Development Authority which was created by legislative action in 1956 with an initial appropriation of state funds in the amount of \$5,000,000. This money is used as a revolving fund to assist localities with serious unemployment and labor surplus problems in construction of new plant facilities (either for expansion or new location), and the Authority is empowered to make second mortgage loans to a maximum of 30 per cent of the cost of constructing or acquiring industrial buildings, provided a local community group has arranged for the balance of the financing. All transactions with industrial prospects are handled through the local industrial development organizations in those areas eligible for assistance under the provisions of the bill, and in the year this plan has been in operation Pennsylvania claims to have provided 5,500 new jobs in plants partially financed by the Authority.

Connecticut—The Connecticut Development Commission operates under the direction of a Managing Director and the program is broadly

divided into the three. The Commission's major groups concerned with the basic data needed of existing ones.

Connecticut is on development credit co municipalities were a by a 1955 legislative

A Planning Divis participate in local pla

Provisions for ca a basis of professional ference is made by h appointed at intervals Development Commis the Board's (not the vided a very desirable abled it to retain the sonnel; whereas in ne ing the Governor appo cently resulted in the success in securing a c

Furthermore, Cor working committee of the utilities, railroads, as well as state official menting the Commissi Carolina and Kentuck many ways and a simil

EXHIBIT 7 (Continued)

divided into the three categories of research, planning and promotion. The Commission's main objective is to coordinate the activities of various groups concerned with industrial development and to assist them with the basic data needed to promote location of new plants and expansion of existing ones.

Connecticut is one of the states in which a privately financed industrial development credit corporation has been functioning for some years, and municipalities were authorized to set up local development commissions by a 1955 legislative act.

A Planning Division employs a chief and two planning engineers to participate in local planning activities.

Provisions for carrying on the Connecticut Commission's program on a basis of professional competence and with a minimum of political interference is made by having a Development Board (whose members are appointed at intervals by the Governor) determine the policies of the State Development Commission and choose its Managing Director to serve at the Board's (not the Governor's) pleasure. This organization has provided a very desirable stability to the Commission's activities and has enabled it to retain the services of able and professionally qualified personnel; whereas in neighboring Massachusetts the spoils system of having the Governor appoint the Managing Director of Development has recently resulted in the loss of a very capable official and a notable lack of success in securing a qualified successor to date.

Furthermore, Connecticut's Commission has sponsored an informal working committee of men engaged actively in industrial development for the utilities, railroads, chambers of commerce, and other business groups as well as state officials, and this group has had notable success in supplementing the Commission's activities, as was found to be the case in North Carolina and Kentucky. This committee has proved its usefulness in many ways and a similar one is definitely desirable in Virginia.

EXHIBIT 8
COMPARISON OF VIRGINIA'S BUDGET REQUESTS FOR CONSERVATION AND
DEVELOPMENT WITH THOSE OF SIX STATES VISITED

Pop. Estimates 1956	Virginia (requests) 3,651,000		Alabama 3,135,000		Connecticut 2,232,000	
	1958-59	1959-60	1957-58	1958-59	1957-58	1958-59
Conservation & Development						
Administration	\$43,707	\$43,427	\$265,000	\$318,000	\$51,680	\$52,992
Forestry	1,905,915	1,937,375	1,886,000	1,886,000	471,144	484,792
Mineral Resources	352,141	346,453	154,000	154,000	50,037	46,942
Parks	266,674	270,746	234,750	237,750	840,343	841,269
Planning & Econ. Dev.	157,877	160,649	200,000	200,000	387,161	392,163
Adv. Council on Va. Economy	10,000	10,000				
Public Relations & Advtg.	510,728	509,396	105,000	105,000	(7)	(7)
Water Resources	145,390	147,574	(1)	(1)	252,750	255,325
Total	3,392,432	3,425,620	2,844,750	2,900,750	2,053,115	2,073,483
PER CAPITA COST						
Administration	\$.02	\$.02	\$.09	\$.11	\$.02	\$.02
Forestry .....	.52	.53	.60	.60	.21	.22
Mineral Resources .....	.09	.10	.05	.05	.02	.02
Parks .....	.07	.07	.08	.08	.38	.38
Planning & Econ. Dev. ....	.04	.04	.06	.06	.17	.18
Adv. Council on Va. Economy .....	.003	.003				
Public Relations & Advtg. ....	.14	.14	.03	.03	(7)	(7)
Water Resources .....	.04	.04	(1)	(1)	.11	.11
Total	\$.93	\$.94	\$.91	\$.93	\$.92	\$.93
RATIO OF BUDGETS						
Administration	100.00	100.00	606.31	732.26	118.24	122.13
Forestry	100.00	100.00	98.96	97.35	24.72	25.02
Mineral Resources	100.00	100.00	43.73	44.45	14.21	13.55
Parks	100.00	100.00	88.02	87.81	315.12	310.72
Planning & Econ. Dev.	100.00	100.00	126.68	124.50	245.23	244.11
Public Relations & Advtg.	100.00	100.00	20.56	20.67	(7)	(7)
Water Resources	100.00	100.00	(1)	(1)	173.84	173.01
Total	100.00	100.00	83.86	84.68	60.52	60.53

(1) Alabama combines Mineral and Water Resources.

(7) Connecticut—\$50,000 a year included in Dev. Comm. for advertising

EXHIBIT 8 (Continued)

Pop. Estimates 1956	Kentucky 3,017,000		North Carolina 4,423,000		Pennsylvania 10,954,000		West Virginia 1,983,000	
	1956-57	1957-58	1957-58	1958-59	1957-58	1958-59	1957-58	1958-59
Conservation & Development								
Administration	\$129,250	\$108,290	\$110,000 (3)	\$135,060 (3)	\$598,158 (8)	\$598,157 (8)	\$2,021,365	\$2,191,740
Forestry	700,900	710,000	1,909,355	1,896,160	4,166,213	4,166,214	(5)	(5)
Mineral Resources	(2)	(2)	66,429	66,429	1,068,000	1,068,000	163,340	201,700
Parks	2,375,000	2,445,000	438,378	439,402	1,713,462	1,713,463	524,795	604,460
Planning & Econ. Dev.	475,600	455,350	343,003	349,791	392,044 (10)	392,044 (10)	333,070	306,540
Adv. Council on Va. Economy								
Public Relations & Advtg.	335,000	335,000	501,217	501,217	477,703	477,703	(4)	(4)
Water Resources	120,100	120,800	154,072	155,916	1,699,069	1,699,068	10,488	20,500

RATIO OF BUDGETS						
Administration	100.00	100.00	606.31	732.26	118.24	122.13
Forestry	100.00	100.00	98.96	97.35	24.72	25.02
Mineral Resources	100.00	100.00	43.73	44.45	14.21	13.55
Parks	100.00	100.00	88.02	87.81	315.12	310.72
Planning & Econ. Dev.	100.00	100.00	126.68	124.50	245.23	244.11
Public Relations & Advtg.	100.00	100.00	20.56	20.67	(7)	(7)
Water Resources	100.00	100.00	(1)	(1)	173.84	173.01
Total	100.00	100.00	83.86	84.68	60.52	60.53

(1) Alabama combines Mineral and Water Resources.

(7) Connecticut—\$50,000 a year included in Dev. Comm. for advertising

EXHIBIT 8 (Continued)

Pop. Estimates 1956	Kentucky 3,017,000		North Carolina 4,423,000		Pennsylvania 10,954,000		West Virginia 1,983,000	
	1956-57	1957-58	1957-58	1958-59	1957-58	1958-59	1957-58	1958-59
Conservation & Development								
Administration	\$129,250	\$108,290	\$110,000 (3)	\$135,060 (3)	\$598,158 (8)	\$598,157 (8)	\$2,021,365	\$2,191,740
Forestry	700,900	710,000	1,909,355	1,896,160	4,166,213	4,166,214	(5)	(5)
Mineral Resources	(2)	(2)	66,429	66,429	1,068,000	1,068,000	163,340	201,700
Parks	2,375,000	2,445,000	438,378	439,402	1,713,462	1,713,463	524,795	604,460
Planning & Econ. Dev.	475,600	455,350	343,003	349,791	392,044 (10)	392,044 (10)	333,070	306,540
Adv. Council on Va. Economy								
Public Relations & Advtg.	335,000	335,000	501,217	501,217	477,703	477,703	(4)	(4)
Water Resources	120,100	120,800	154,072	155,916	1,699,069	1,699,068	19,488	22,500
Total	4,135,850	4,174,440	3,522,454	3,543,975	10,114,649	10,114,649	3,062,058	3,326,940
PER CAPITA COST								
Administration	\$.04	\$.04	\$.03	\$.03	\$.06	\$.06	\$1.02	\$1.11
Forestry .....	.23	.24	.43	.43	.38	.38	(5)	(5)
Mineral Resources	(2)	(2)	.02	.02	.10	.10	.08	.10
Parks .....	.79	.81	.10	.10	.16	.16	.27	.31
Planning & Econ. Dev. ....	.16	.15	.08	.08	.04	.04	.17	.16
Adv. Council on Va. Economy								
Public Relations & Advtg. ....	.11	.11	.11	.11	.04	.04	(4)	(4)
Water Resources .....	.04	.04	.04	.04	.16	.16	.01	.01
Total	\$1.37	\$1.38	\$.80	\$.80	\$.92	\$.92	\$1.54	\$1.68
RATIO OF BUDGETS								
Administration	295.72	249.36	251.68	311.00	1,368.56 (8)	1,377.39 (8)	4,624.81	5,046.95
Forestry	36.77	36.65	100.18	97.87	218.59	215.04	(5)	(5)
Mineral Resources	(2)	(2)	18.86	19.17	303.29	309.16	46.38	58.22
Parks	890.60	903.06	164.39	162.29	642.53	632.87	196.79	223.26
Planning & Econ. Dev.	301.25	283.44	217.26	217.74	248.32 (10)	244.04 (10)	210.97	190.82
Public Relations & Advtg.	65.59	65.76	98.14	98.39	93.53	93.78	(4)	(4)
Water Resources	82.61	81.86	105.97	105.65	1,168.63	1,151.33	13.40	15.25
Total	121.91	121.86	103.83	103.45	298.15	295.26	90.26	97.12

(2) Kentucky—Geological research carried on at University

(3) North Carolina—Merit increases for entire department in Administration

(4) West Va.—Advtg. funds in Industrial Development & Pub. Comm.

(5) West Va.—Forestry included in overall sum for Cons. Commission

(6) Pennsylvania—budget for biennium (divided in half)

(8) Pennsylvania—Admin. also includes Admin. for Forests & Waters

(9) Penna.—includes \$475,000 for biennium for indus. advtg.—\$275,000 tourist advertising

(10) Penna.—also has \$5,000,000 for industrial financing, \$500,000 for local industrial assistance, \$5,000,000 for redevelopment

EXHIBIT 9

VIRGINIA COUNTIES RECEIVING GREATER REVENUES FROM STATE AND FEDERAL THAN FROM LOCAL SOURCES

(Year Ending 6/30/56)

Accomack	Grayson	Patrick
Amelia	Greene	Pittsylvania
Amherst	Greensville	Powhatan
Appomattox	Halifax	Prince Edward
Augusta	Hanover	Prince George
Bath	Henry	Princess Anne
Bedford	Isle of Wight	Pulaski
Bland	King George	Rappahannock
Botetourt	King & Queen	Richmond
Brunswick	King William	Roanoke
Buchanan	Lancaster	Rockbridge
Buckingham	Lee	Rockingham
Campbell	Louisa	Russell
Caroline	Lunenburg	Scott
Carroll	Madison	Shenandoah
Charles City	Matthews	Smyth
Charlotte	Mecklenburg	Spotsylvania
Craig	Middlesex	Stafford
Culpeper	Montgomery	Surry
Cumberland	Nansemond	Sussex
Dickenson	Nelson	Tazewell
Dinwiddie	New Kent	Washington
Floyd	Norfolk	Westmoreland
Franklin	Northampton	Wise
Frederick	Northumberland	Wythe
Gloucester	Nottoway	York
Goochland	Page	

VIRGINIA COUNTIES WHICH LOST POPULATION 1930-1950 ACCORDING TO U. S. CENSUS REPORTS

Accomack	Cumberland	Middlesex
Albemarle	Essex	Nelson
Amelia	Floyd	New Kent
Augusta	Fluvanna	Northampton
Bath	Gloucester	Northumberland
Brunswick	Greene	Patrick
Buckingham	Highland	Powhatan
Caroline	King & Queen	Rappahannock
Charles City	King William	Richmond
Charlotte	Lancaster	Southampton
Clarke	Louisa	Surry
Craig	Madison	
Culpeper	Matthews	

CITIES WHICH LOST POPULATION 1930-1950

Clifton Forge	Hampton	Hopewell
---------------	---------	----------

EXHIBIT 10

VIRGINIA DIVISION OF PLANNING AND ECONOMIC DEVELOPMENT APPROPRIATIONS, REQUESTS & RECOMMENDATIONS OF BOARD OF CONSERVATION AND DEVELOPMENT—1956-1960

	1956-57		1957-58		Request		Request Approved	
	Appropriated	Expended	Appropriated		1958-59	1959-60	By Board of Conservation and Development	1958-59 1959-60
11 PERSONAL SERVICE								
1110 Salaries								

FROM
REVENUES

rick
sylvania
vhanan
Edward
George
Anne
aski
pahanock
hmond
noke
ckbridge
kingham
ssell
t
anadoah
yth
sylvania
fford
sex
zewell
shington
stmoreland
se
the
rk

ATION 1930-1950
SPORTS
ddlesex
lson
w Kent
rthampton
rthumberland
trick
vhanan
pahanock
hmond
uthampton
try

1930-1950
pewell

EXHIBIT 10

VIRGINIA DIVISION OF PLANNING AND ECONOMIC DEVELOPMENT APPROPRIATIONS, REQUESTS & RECOMMENDATIONS
OF BOARD OF CONSERVATION AND DEVELOPMENT—1956-1960

	1956-57		1957-58 Appro- priated	Request		Request Approved By Board of Conserva- tion and Development	
	Appro- priated	Expended		1958-59	1959-60	1958-59	1959-60
11 PERSONAL SERVICE							
1110 Salaries		\$89,712					
Cont. present salaries.....				\$100,752	\$100,752	\$100,752	\$100,752
Merit increases				1,073	3,409	1,073	3,409
Filling vacant positions							
Carto. Drafts. B				4,320	4,512	4,320	4,512
Reallocations & regradings.....				6,556	5,632	2,400	2,500
New positions							
Admin. Secretary				4,512	4,704	.....	.....
Ind. Dev. Repr. (2)				12,864	13,152	6,432	6,576
Comm. Planning Tech.				5,640	5,760	.....	.....
Ass't. Reg. Repr.				5,640	5,760	.....	.....
Clerk-Sten. C (2)				6,336	6,624	.....	.....
1120 Wages		245		500	500	500	500
1130 Special payments				10,000	10,000	.....	.....
Total	98,000	89,957	100,600	158,193	160,805	115,477	118,249
12 CONTRACTUAL SERVICES	21,000	20,854	21,000	40,000	40,000	27,100	27,100
1210 General repairs		419		475	475	475	475
1230 Light, heat, power, water		51		75	75	75	75
1240 Traveling		11,900		25,000	25,000	15,000	15,000
1250 Transportation		16		50	50	50	50
1260 Communication		5,011		8,400	8,400	7,000	7,000
1270 Printing		518		1,000	1,000	1,000	1,000
1280 Other contractual services		2,939		5,000	5,000	3,500	3,500

EXHIBIT 10 (Continued)

VIRGINIA DIVISION OF PLANNING AND ECONOMIC DEVELOPMENT APPROPRIATIONS, REQUESTS & RECOMMENDATIONS
OF BOARD OF CONSERVATION AND DEVELOPMENT—1956-1960

	1956-57		1957-58 Appropriated	Request		Request Approved By Board of Conservation and Development	
	Appropriated	Expended		1958-59	1959-60	1958-59	1959-60
13 SUPPLIES	\$4,500	\$1,435*	\$4,500	\$7,500	\$7,500	\$7,500	\$7,500
1330 Fuel supplies		117		200	200	200	200
1340 Office supplies		3,486		4,500	4,500	4,500	4,500
1360 Laundry, clng. supplies				100	100	100	100
1393 Other supplies		(4,336 cr.)		200	200	200	200
1394 Photographic supplies		2,168		2,500	2,500	2,500	2,500
15 EQUIPMENT	2,000	1,650	2,000	3,000	3,000	3,000	3,000
1510 Office equipment		1,611		2,000	2,000	2,000	2,000
1580 Other equipment		39					
1594 Photographic equipment				1,000	1,000	1,000	1,000
17 CURRENT CHGS. & OBLIGS.	2,000	1,665	2,000	2,500	2,500	2,300	2,300
1730 Rent		1,481		2,000	2,000	1,800	1,800
1741 Insurance (Fire)				250	250	250	250
1742 Insurance (Wkmen's Comp.)		184		250	250	250	250
Total expenses of operation.....	127,500	115,561	130,100	211,193	213,805	155,377	158,149
CAPITAL OUTLAYS							
25 EQUIPMENT	1,500	1,075	1,500	3,000	3,000	2,500	2,500
2510 Office equipment		787		1,500	1,500	1,000	1,000
2580 Other equipment		252		500	500	500	500
2594 Photographic equipment		36		1,000	1,000	1,000	1,000
Total for Planning and Economic Development	129,000	116,636	131,600	214,193	216,805	157,877	160,649

* Actual expenditures for supplies amounted to over \$5,800. The credit shown is for work performed in the photographic laboratory.

DEPARTMENT

Division

Comparison of 1956

Expenses of Operation
For planning and economic development
To be paid from General Fund

To be paid from Special Funds

Capital Outlay:
For planning and economic development
Grand Total:
Expenses of Operation and Capital Outlay

Budget request for appropriated was only \$

DIVISION OF PLANNING

New Positions—Tatives are needed to carry regard to prospects here there are 66 of these. to be in the field more, buildings, industrial site

The additional Commission of work as the present Commission increasing and many co planning commissions.

We are requesting present regional office western area of the state. Representatives often there should be more commission.

It is also requested set up. The Commission office a good bit of the various activities and If this position is set to a Clerk-Stenographer

CAPITAL OUTLAYS	1,500	1,075	1,500	3,000	2,500	2,500
25 EQUIPMENT		787		1,500	1,000	1,000
2510 Office equipment		252		500	500	500
2580 Other equipment		36		1,000	1,000	1,000
2594 Photographic equipment						
Total for Planning and Economic Development	129,000	116,636	131,600	214,193	216,805	157,877
						160,649

* Actual expenditures for supplies amounted to over \$5,800. The credit shown is for work performed in the photographic laboratory.

EXHIBIT 10 (continued)

DEPARTMENT OF CONSERVATION AND DEVELOPMENT

Division of Planning and Economic Development Comparison of 1956-58 Appropriations and 1958-60 Budget Requests

	1956-58 Appropriations	1958-60 Requests	(a) Decrease or Increase 58-60 Over 56-58	% Increase
Expenses of Operation:				
For planning and economic development	\$257,600	\$424,998	\$167,398	65%
To be paid from General Fund	\$257,600	\$424,998	\$167,398	65%
To be paid from Special Funds				
Capital Outlay:				
For planning and economic development	\$ 3,000	\$ 6,000	\$ 3,000	100%
Grand Total:				
Expenses of Operation and Capital Outlay	\$260,600	\$430,998	\$170,398	65%

Budget request for the biennium 1956-58 was \$305,003. Amount appropriated was only \$260,600.

DIVISION OF PLANNING AND ECONOMIC DEVELOPMENT

New Positions—Two additional Industrial Development Representatives are needed to carry on the work of this section. The work load with regard to prospects has increased greatly in the past year. At present there are 66 of these. There is also a great need for the representatives to be in the field more, working with communities, becoming familiar with buildings, industrial sites, financing possibilities, etc.

The additional Community Planning Technician will do the same type of work as the present one. Planning commissions throughout the state are increasing and many communities are requesting assistance in establishing planning commissions.

We are requesting an assistant for the Regional Representative. The present regional office in Abingdon covers a large portion of the southwestern area of the state and the load is too much for one representative. Representatives often work in this territory and will continue to do so but there should be more concerted effort in that area.

It is also requested that the position of Administrative Secretary be set up. The Commissioners and other representatives are away from the office a good bit of the time and it is important to have someone supervise various activities and be informed on all of the functions of the Division. If this position is set up, the Clerk-Stenographer D will be downgraded to a Clerk-Stenographer C.

EXHIBIT 10 (Continued)

Reallocations and regradings—Industrial development and planning are both specialized fields and it has been difficult to secure personnel at the present salary range and we have recommended that the positions in these sections be upgraded. For this reason it is recommended that the salary scales be changed as follows:

	From *	To *
Commissioner	8,040	\$10,032
Community Planning Chief	6,144	7,680
Community Planning Technician	4,320	5,640
Industrial Development Chief	6,432	8,040
Industrial Development Representative.....	5,640	6,432
Mapping and Surveys Chief	4,512	6,144
Field Representative	5,880	8,040

* Starting salaries

Travel and communication costs are steadily increasing and the work of the Division requires that the appropriations for both of these items be increased considerably.

Equipment—It is necessary to replace equipment in the Division in order to maintain the performance levels that are required. Also, certain replacements and additions are necessary in the photographic laboratory such as cooling equipment, new sinks, etc.

When you take into consideration rising costs of materials, travel, communication, salaries, we feel that our budget request for the biennium is reasonable. The major portion of the increase falls under *Personal Service* which includes requests for new positions, higher salary scales, and \$10,000 for consultant services.

REPORT ON THE

From the beginning for our water resources in carried on largely through logical Survey, and actual Resources was the district a result of prohibitions in operative programs joined here were largely discontinued for this important work activities in this field to gram for the state. It ap to conduct its own water personnel must be providedly raised by the legislfunds may be made for sermain fields of water resofunctions, 2. surface wa water investigatory prograre still being made by ation and Development forFederal Government.

It is the opinion of th the termination of the coo for Virginia, since the nur field of water resources is presently engaged in priv Federal Geological Survey

However, if we pro water resources program following specific action s the biennium 1958-60:

(1) The total approp vation and Development be increased from appro annum, or \$350,000 for th to carry on adequately th some of which are proce general consideration men

(2) Responsibility f be returned to the Divis activated. At present th since the district geologis February 1957, as a resul program. The recommen Resources, which had been should be reduced by \$30, the annual appropriation in (1) above.

ment and planning
secure personnel at
that the positions in
commended that the

n *	To *
10	\$10,032
14	7,680
20	5,640
22	8,040
10	6,432
2	6,144
10	8,040

leasing and the work
th of these items be

t in the Division in
quired. Also, certain
ographic laboratory

of materials, travel,
est for the biennium
alls under *Personal*
higher salary scales,

EXHIBIT 11

REPORT ON THE DIVISION OF WATER RESOURCES

From the beginning in 1926 of an organized program of development for our water resources in Virginia until 1956, this work by the state was carried on largely through close cooperation with the United States Geological Survey, and actually until 1955 the Virginia Commissioner of Water Resources was the district engineer of USGS located in Charlottesville. As a result of prohibitions included in the 1956 Appropriations Act, the co-operative programs jointly supported by federal and state governments here were largely discontinued. This change in the basic plan of operation for this important work has resulted in some confusion and lessening of activities in this field to the detriment of a sound water resources program for the state. It appears clear at this point that if Virginia wishes to conduct its own water resources program, adequate funds and trained personnel must be provided to do the job right. Some questions are presently raised by the legislative directive that no cash payments of state funds may be made for services rendered by the USGS in each of the three main fields of water resources activities (1. ground water investigatory functions, 2. surface water investigatory program, and 3. quality of water investigatory program), despite the fact that similar appropriations are still being made by another division of the Department of Conservation and Development for a similar service, topographic mapping, by the Federal Government.

It is the opinion of the present Commissioner of Water Resources that the termination of the cooperative programs with the USGS is unfortunate for Virginia, since the number of qualified engineers and technicians in the field of water resources is limited and most of the qualified personnel not presently engaged in private pursuits of this nature are employed by the Federal Geological Survey.

However, if we proceed on the premise that an entirely separate water resources program for the State of Virginia is a desirable one, the following specific action should be taken in connection with the plans for the biennium 1958-60:

(1) The total appropriations recommended by the Board of Conservation and Development for this division from the General Fund should be increased from approximately \$145,000 per annum to \$175,000 per annum, or \$350,000 for the biennium. These larger sums will be sufficient to carry on adequately the presently assigned activities of the division, some of which are proceeding on a much reduced scale because of the general consideration mentioned above.

(2) Responsibility for ground water investigatory activities should be returned to the Division of Water Resources and this program re-activated. At present there has been no activity in this important field since the district geologist of USGS was transferred out of the state in February 1957, as a result of termination of the State-Federal cooperative program. The recommended appropriation for the Division of Mineral Resources, which had been assigned responsibility for ground water work should be reduced by \$30,000 per annum, which sum has been included in the annual appropriation of \$175,000 recommended for water resources in (1) above.

EXHIBIT 11 (Continued)

(3) The surface water investigatory program should be increased to provide a total of 200 stream gaging stations being operated in Virginia. Presently the USGS is maintaining 100 of these, the Division of Water Resources an additional 59 stations, even though prior to the end of the State-Federal cooperative program, there were 190 such stations jointly maintained.

(4) Again as a result of termination of State-Federal cooperation, the program of investigating the quality of water conditions has lapsed and the chemists formerly maintained here by USGS have been transferred out of Virginia. In this connection, the Commissioner of Water Resources feels that in order for him to obtain adequately trained personnel for this key position as well as others now authorized in his division, the present salary ranges for these jobs should be raised as follows. The overall appropriations mentioned in (1) above will take care of these increases:

Position	Present Salary Range	Recommended Salary Range
Surface Water Specialist.....	\$5640-7032	\$6144-7680
Ground Water Specialist	5640-7032	6144-7680
Hydraulic Engineer "C"	5640-7032	6144-7680
Hydrology Chemist.....	4704-5880	5880-7344

(5) It is recommended that all three of the main functions in connection with water resources in Virginia be handled by one agency rather than having the ground water investigatory program separated and assigned to the Division of Mineral Resources (by administrative action of the Director of Conservation and Development in July 1957). Development of our water resources and reliable data on them is one of the most important phases of any comprehensive economic development plan for the State and both of these functions should be the responsibility of one agency.

TOPOGRAPHIC

by Frank

A Geological Surveying of Virginia will be

Although there is Virginia is being continued to approximately one

In other states maps of 1:24,000, or one inch

The additional work using the material for

The official said that all such surveys from the larger scale maps.

Thus, he explained that may be sufficient demand to go ahead with the least

The official said that a smaller scale map because

He estimated that the mapped. This area includes Fluvanna, Buckingham, mattox and Floyd.

About 35 per cent scale. The coastal area War II and Southwest Valley Authority.

The new, more detailed trial planning and selection a limited value for the

The topographical or surveying based on is done mostly in the sp are again in full leaf.

Footnote 1—Richm

should be increased
operated in Virginia.
e Division of Water
or to the end of the
such stations jointly

Federal cooperation,
onditions has lapsed
ave been transferred
r of Water Resources
ed personnel for this
division, the present
ws. The overall ap-
these increases:

Recommended Salary Range
\$6144-7680
6144-7680
6144-7680
5880-7344

in functions in con-
by one agency rather
m separated and as-
ministrative action of
uly 1957). Develop-
m is one of the most
development plan for
responsibility of one

EXHIBIT 12

TOPOGRAPHIC MAPPINGS OF VIRGINIA NEARS END

by Frank E. Taylor, Washington, October 12, 1957¹

A Geological Survey official estimated Saturday topographical mapping of Virginia will be completed within three or four years.

Although there is a trend toward a larger scale map, the work in Virginia is being continued on a less detailed scale of 1:62,500, or one inch to approximately one mile.

In other states much of the new mapping is being done on the scale of 1:24,000, or one inch to 2,000 feet.

The additional work in Virginia will be done with a view of later using the material for maps of the larger scale.

The official said a new policy of the Geological Survey provides that all such surveys from now on will give material suitable for publishing the larger scale maps.

Thus, he explained, the material will be available and as soon as there may be sufficient demand for the larger scale maps the map makers can go ahead with the least delay.

The official said Virginia is continuing its cooperative program on the smaller scale map because much of the state already is so mapped.

He estimated that about 10 per cent of the state's area remains to be mapped. This area includes the counties of Madison, Albemarle, Louisa, Fluvanna, Buckingham, Cumberland, Nottoway, Prince Edward, Appomattox and Floyd.

About 35 per cent of the state has been mapped in the larger 1:24,000 scale. The coastal area was surveyed for the larger scale during World War II and Southwest Virginia areas a few years later by the Tennessee Valley Authority.

The new, more detailed maps are said to be especially useful in industrial planning and selection of plant sites. The smaller scale maps have a limited value for these uses, the official said.

The topographical mapping is done with the aid of photogrammetry, or surveying based on aerial photographs. The photographing in Virginia is done mostly in the spring when the snows have gone but before the trees are again in full leaf.

Footnote 1—Richmond Times-Dispatch, October 13, 1957.

EXHIBIT 13
DEPARTMENT OF CONSERVATION & DEVELOPMENT
Summary of Operating Expenditures and Recommendations of this Commission, 1956-1960

Divisions	Approp. 1952-53	Approp. 1957-58	Board of Conservation and Development		Increase or Decrease 1958-59 compared with 1957-58		Industrial Develop. Study Commission Recommendations		1958-59 compared with 1957-58	09-6961 compared with 1957-58
			Request 1958-59	Request 1959-60	1957-58	1957-58	1958-59	1959-60		
Administration	\$32,424	\$32,350	\$43,707	\$43,427	\$11,357	\$11,077	\$50,000	\$60,000	\$17,650	\$27,650
Public Relations & Adv.	180,000	247,240	507,228	506,396	257,988	259,156	557,228	556,396	309,988	309,156
Tourist	(180,000)	(222,240)	(457,228)	(456,396)	(234,988)	(234,156)	(457,228)	(456,396)	(234,988)	(234,156)
Industrial	(-0-)	(25,000)	(50,000)	(50,000)	(25,000)	(25,000)	(100,000)	(100,000)	(75,000)	(75,000)
Operation of State Parks	221,285	231,850	252,735	256,285	20,885	24,435				
Civilian Cons. Corps..	53,620	74,700	91,895	102,930	17,195	28,230				
Adm. & Protection St. Forests	34,100	44,685	63,330	63,855	18,645	19,170				
Forest Serv. to Landowners	89,065	176,000	256,795	263,365	80,795	87,365				
Protection & Develop- ment of Forest Resources	659,390	845,000	1,387,520	1,405,005	542,520	560,005				
Investigation & Con- trol of Infes- tation	18,800	26,250	41,315	42,060	15,065	15,810				
Mineral Resources	113,150	127,680	267,081	261,453	139,401	133,773	237,081	231,453	109,401	103,773
Topographic Mapping	30,000	35,000	60,000	60,000	25,000	25,000	60,000	60,000	25,000	25,000
Water Resources	61,250	138,500	145,582	147,766	7,082	9,266	175,582	177,766	37,082	39,266
Planning & Econ. Dev.	80,491	131,600	157,877	160,649	26,277	29,049	225,000	230,000	93,400	98,400
Jamestown Festival Park			379,810	357,560	379,810	357,560				
Miscellaneous	12,670	64,610	27,439	27,461	(37,171)	(37,149)				
Total for Department	1,586,245	2,175,465	3,682,314	3,698,212	1,506,849	1,522,747				
Paid from General Funds		1,627,580	2,952,484	2,987,857	1,324,904	1,360,277				
Paid from Special Funds		547,885	729,830	710,355	181,945	162,470				
Total for Industrial Development & Related Activities							797,663	799,219	339,883	341,439

EXHIBIT 13 (Continued)
DEPARTMENT OF CONSERVATION & DEVELOPMENT
Summary of Operating Expenditures and Recommendations of this Commission, 1956-1960

INDEX FIGURES FOR PRECEDING										
Administration	100.00	99.77	134.79	133.93	35.10	34.24	154.20	185.04	54.55	85.47
Public Relations & Adv.	100.00	137.35	281.79	281.33	105.15	104.81	309.57	309.10	125.37	125.04
Tourist	100.00	123.46	254.01	253.55	105.74	105.36	254.01	253.55	105.74	105.36
Industrial					100.00	100.00			200.00	200.00

Planning & Econ.											
Dev.	80,491	131,600	157,877	160,649	26,277	29,049		225,000	230,000	93,400	98,400
Jamestown Festival											
Park			379,810	357,560	379,810	357,560					
Miscellaneous	12,670	64,610	27,439	27,461	(37,171)	(37,149)					
Total for Department	1,586,245	2,175,465	3,682,314	3,698,212	1,506,849	1,522,747					
Paid from General											
Funds		1,627,580	2,952,484	2,987,857	1,324,904	1,360,277					
Paid from Special											
Funds		547,885	729,830	710,355	181,945	162,470					
Total for Industrial Development & Related Activities							797,663	799,219	339,883	341,439	

EXHIBIT 13 (Continued)

DEPARTMENT OF CONSERVATION & DEVELOPMENT

Summary of Operating Expenditures and Recommendations of this Commission, 1956-1960

INDEX FIGURES FOR PRECEDING										
Administration	100.00	99.77	134.79	133.93	35.10	34.24	154.20	185.04	54.55	85.47
Public Relations &										
Adv.	100.00	137.35	281.79	281.33	105.15	104.81	309.57	309.10	125.37	125.04
Tourist	100.00	123.46	254.01	253.55	105.74	105.36	254.01	253.55	105.74	105.36
Industrial					100.00	100.00			200.00	200.00
Operation of St.										
Parks	100.00	104.77	114.21	155.81	9.00	10.53				
Civilian Cons Corps..	100.00	139.31	171.38	191.96	23.01	37.79				
Adm. & Protection										
St. Forests	100.00	131.04	185.71	187.34	41.72	42.90				
Forest Serv. to										
Landowners	100.00	197.60	288.32	295.69	45.90	49.63				
Protection & Develop-										
ment of Forest										
Resources	100.00	128.14	210.42	213.07	64.20	66.27				
Investigation & Con-										
trol of Infes-										
tation	100.00	139.62	219.76	223.72	57.39	60.22				
Mineral Resources ..	100.00	112.84	236.04	231.06	109.17	104.77	209.52	204.55	85.68	81.27
Topographic Mapping	100.00	116.66	200.00	200.00	71.42	71.42	200.00	200.00	71.42	71.42
Water Resources	100.00	226.12	237.68	241.25	5.11	6.69	286.66	290.23	26.77	28.35
Planning & Econ.										
Dev.	100.00	163.49	196.14	199.58	19.96	22.07	279.53	285.74	70.97	74.77
Jamestown Festival										
Park										
Miscellaneous	100.00	509.94	216.56	216.74	(57.53)	(57.49)				
Total for Department	100.00	137.14	232.14	233.14	69.26	69.99				

EXHIBIT 14

NITROGEN DIVISION

Allied Chemical & Dye Corporation
Hopewell, Virginia

August 20, 1956

Mr. W. H. Caldwell, Commissioner
Division of Planning and Economics
301 State Finance Bldg.
Richmond 19, Va.

Dear Mr. Caldwell:

With reference Senator Sydnor's of August 10 and yours of July 20, there is attached a statement which I have just received from Verbon Kemp concerning the State Chamber's program of industrial development. I trust that this will serve the purpose.

The State Chamber is also compiling results of a questionnaire sent out to the local chambers of the state on the same subject. We hope shortly to be able to send you this material.

With kind regards, I am

Sincerely,

F. A. ERNST,
Manager, Hopewell Plant.

Encl-

The Virginia State Chamber of Commerce has been engaged in the industrial, agricultural, and economic development of Virginia from its inception in 1924, initially with a small integrated staff and committees; later engaging staff specialists for individual effort and advisory to committees whose membership includes many of Virginia's leading citizens who are "experts" in their respective fields of endeavor.

Under the guidance of the Board of Directors, staff members are engaged in such varied activities as research, taxation, roads, labor legislation, social security, industrial development, agriculture, travel promotion, and publication of "The Commonwealth."

Beginning in the late 40's additional emphasis was placed upon the servicing of established industry and the acquisition of new industry, largely through research and the compilation and distribution of factual information to indicate Virginia's growth potential. In 1950 the State Chamber actively entered the field of solicitation of new industry, assigning to this a staff member who had been an industrial executive in Virginia industry for a period of more than 25 years.

The State Chamber's methods in industrial development are perhaps no different than those pursued by utilities, railroads and others except as to coordination of various local Chambers of Commerce, utilities, and railroads and working on a state-wide basis without regard to "pressure" of any type.

The State Chamber maintains its "prospects" through newspaper and the business or industrial press.

The usual methods of communication are may be influenced to in Virginia.

Prior to any contact the way through residential development through labor laws, highways, other direct and indirect.

The State Chamber and others, has gone in to begin a program of Development Foundation.

After contact, through laws, labor laws, know towns and cities, and roads, is able to supply needs of the particular. Our objective is to bring contact with the community.

The result of efforts industry and to aid in the. Of course no one progress. Yet, the in Virginia from about 1924, to over coincidence. Also, we that since it was organized an average of almost made available each year.

Since 1950, the time to devote a larger portion the time it added staff work, Virginia's industry of 5,000 new job opportunities of fact, in 1950 there manufacturing in Virginia. Thus the annual rate of industrial job opportunities.

In terms of income industry has been very Chamber of Commerce manufacturing amounted to \$100,000,000. Expenditures are close to \$100,000,000. In 1929 manufacturing

EXHIBIT 14 (Continued)

The State Chamber, as other industrial development agencies, obtains its "prospects" through direct approach to expanding industry, through newspaper releases, through "tips," and from direct contact by the business or industry seeking to locate new plants.

The usual methods of personal contact, or telephone or other means of communication are used, with the objective that company representatives may be influenced to personally visit areas of greatest developed interest in Virginia.

Prior to any contact, however, the State Chamber has often prepared the way through research and providing a better "climate" for industrial development through promoting a fair and equitable program of taxation, labor laws, highways, access roads, ports, recreational facilities, and many other direct and indirect "tools" conducive to industrial development.

The State Chamber, too, in cooperation with the utilities, railroads, and others, has gone into almost every community in the State urging them to begin a program of improvement and, often, the formation of Industrial Development Foundation.

After contact, the State Chamber with its own information on tax laws, labor laws, knowledge of industrial sites, buildings, natural resources, towns and cities, and in cooperation with local chambers, utilities, and railroads, is able to supply sufficient information to pinpoint areas where the needs of the particular industry may substantially be met; following which our objective is to bring the "prospect," as soon as possible, in direct contact with the communities so as to give *them* full opportunity to sell *themselves*.

The result of efforts of organized business in Virginia to attract industry and to aid in the expansion of existing industry have been phenomenal. Of course no one organization is ever solely responsible for economic progress. Yet, the increase in the number of manufacturing workers in Virginia from about 100,000 persons in the year of origin of the State Chamber, 1924, to over 250,000 persons at the present time is no mere coincidence. Also, we feel that Virginia business can be proud of the fact that since it was organized as the Virginia State Chamber of Commerce an average of almost 5,000 new industrial job opportunities have been made available each year.

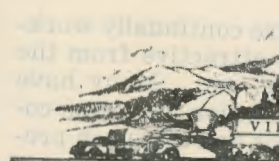
Since 1950, the time the Virginia State Chamber of Commerce began to devote a larger portion of its resources to industrial development and the time it added staff personnel to handle this particular phase of its work, Virginia's industrialization has increased at a rate even in excess of 5,000 new job opportunities in manufacturing each year. As a matter of fact, in 1950 there were slightly less than 220,000 persons in manufacturing in Virginia compared to more than 250,000 persons in 1955. Thus the annual rate of increase in that period was around 6,000 new industrial job opportunities.

In terms of income, this rapid growth of Virginia's manufacturing industry has been very important. In the year of origin of Virginia State Chamber of Commerce, 1924, income payments to individuals from manufacturing amounted to less than \$150 million, while today such income payments are close to \$1 billion. This increase represents not only more money but also the increase in the relative importance of manufacturing. In 1929 manufacturing income payments to individuals amounted to less

EXHIBIT 14 (Continued)

than 14% of the total income of our people while today manufacturing income payments amount to about 17% of the total. Also, the large number of new plants now being built in Virginia makes it easy to foresee that in the next few years more and more Virginians will receive higher and higher incomes from the industrial development of this Commonwealth. These new plants or additions to existing plants are being built in most every section of Virginia. For example, there is Babcock-Wilcox in Lynchburg, G. E. in Roanoke, Waynesboro and Lynchburg, Dow Chemical near Williamsburg, Allied Chemical & Dye in Hopewell, Doubleday and Company in Berryville, the American Oil Company Refinery in York County, Liptons Tea and Nestles Chocolate at Suffolk, and Westinghouse and American Safety Razor at Staunton.

Each year the Virginia State Chamber of Commerce conducts a report meeting in New York to inform the nation's industrial leaders of Virginia's economic climate and potential. The programs of these meetings are varied from year to year. Sometimes the Governor and a number of the State Department heads attend the meetings and tell about Virginia. Sometimes an outstanding and well known Virginia business leader does this. These meetings are just one more endeavor to tell the story of Virginia and promote its economic development.



FRANK A. ERNST, PRESIDENT
CHARLES E. MOORE, JR., TREASURER
R. D. CURTIS, ASSISTANT TREASURER
J. C. HOLLORAN, VICE-PRES. FREDMONT
CALVERT H. HUMBERT, VICE-PRES. VALLEY
R. C. EDMUNDS, VICE-PRES. SOUTHWEST
HOLY W. PAGE, VICE-PRES. SOUTHWEST
CHARLES F. RUSSELL, VICE-PRES. TIDEWATER

THE LOCAL CH

Contributing in a of Virginia has been, some 119 of which we

Almost without e purpose of serving es respective community cerns to prosper and e to induce location the

If there are excep these would be within Williamsburg and Vir value of year-around consider certain types

Richmond, Roan within the Chamber o dustrial development mouth, Lynchburg, D Charlottesville, Staunt dustrial development e Currently this quality desire for new payrolls

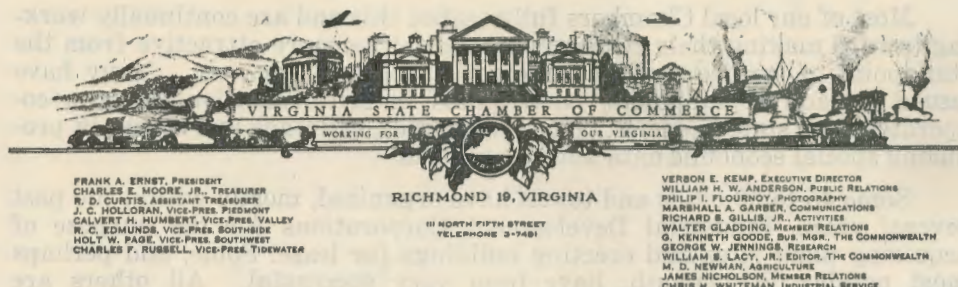
From the standpo in servicing industrial panies and other Utilit is vital. Any of these data but only the loca bers, can convey to an munity—welcome—des gibles that always rank

Too, only the com through an organizatio community facility imp to be attracted. Only assess its resources (a attention of the statewi to turn the liabilities i must sell itself.

any manufacturing in-
 also, the large number
 asy to foresee that in
 receive higher and
 this Commonwealth.
 being built in most
 Babcock-Wilcox in
 burg, Dow Chemical
 well, Doubleday and
 y Refinery in York
 k, and Westinghouse

ce conducts a report
 leaders of Virginia's
 these meetings are
 and a number of the
 bout Virginia. Some-
 less leader does this.
 he story of Virginia

EXHIBIT 15



THE LOCAL CHAMBER OF COMMERCE AND INDUSTRIAL DEVELOPMENT

Contributing in a very substantial way to the industrial development of Virginia has been, and continues to be, the local Chamber of Commerce, some 119 of which were actively functioning in September 1956.

Almost without exception these local chambers were organized for the purpose of serving established business and industry and to assure their respective community's economic growth through encouraging these concerns to prosper and expand; as well as to create the atmosphere necessary to induce location therein of new business and industry.

If there are exceptions to the major function of seeking new industry these would be within the recreational and tourist communities, such as Williamsburg and Virginia Beach; but even these chambers recognize the value of year-around industrial payrolls and would not be reluctant to consider certain types of industry locating in their respective areas.

Richmond, Roanoke, Newport News and Norfolk employ directly within the Chamber or similarly-functioning organization a full-time industrial development executive. A number of Chambers such as Portsmouth, Lynchburg, Danville, Petersburg, Alexandria, Bluefield, Bristol, Charlottesville, Staunton and others have placed special emphasis upon industrial development experience when selecting their Chamber executives. Currently this quality is of growing importance in every locality as the desire for new payrolls is universal.

From the standpoint of the area or statewide organizations engaged in servicing industrial prospects (State Chamber, Railroads, Power Companies and other Utilities, State Agencies) the local Chamber of Commerce is vital. Any of these groups has or can readily obtain basic essential data but only the local Chamber, through its own committees and members, can convey to an industrial prospect the true "pulse" of the community—welcome—desire—co-operation—helpfulness—and other intangibles that always rank high in the final decision on plant location.

Too, only the community itself and its people, and most likely only through an organization such as the local Chamber, can plans be made for community facility improvements that often must be made if industry is to be attracted. Only the people in the community can determine and assess its resources (and liabilities), bringing the assets forcefully to the attention of the statewide and areawide development agencies and planning to turn the liabilities into assets. In the final analysis every community must sell itself.

EXHIBIT 15 (Continued)

Most of our local Chambers fully realize this and are continually working toward making their respective communities more attractive from the standpoint of service facilities, recreation, schools, etc., etc. Many have issued attractive pamphlets, participated in self-evaluation surveys, co-operated with state agencies, power companies, railroads and others in producing special economic data and site reports.

Some 45 to 50 cities and towns have organized, mostly within the past several years, Industrial Development Corporations for the purpose of acquiring plant sites and erecting buildings for lease. Some, and perhaps most notably Portsmouth, have been very successful. All others are "ready" for prompt action.

A survey just completed by the Virginia State Chamber of Commerce indicates that the local Chambers are quite satisfied with industrial service furnished them by Power Companies, Railroads, the State Chamber, the State Department of Conservation and Development and others. Some excellent and thought-provoking comments are being quoted, attached.

The map, included herewith, shows the location (blue star) of each local Chamber of Commerce. It will be noted that most communities in the more heavily populated areas have Chambers. The green dot is indicative of a full time industrial development executive. The red dot represents an Industrial Development Corporation.

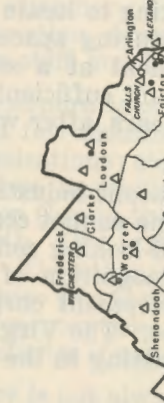
The Virginia State Chamber of Commerce is in continuing communication with all local Chambers of Commerce and makes full use of their potential in servicing industrial prospects. Likewise cooperative assistance is rendered by the State Chamber in the fields of tourist promotion, taxation, government, roads, social security, agriculture, management-labor relations, unemployment compensation, safety, tourist promotion, and world trade; as well as in conservation of natural resources, timber, seafood.

Respectfully submitted to Mr. Ernst, President

CHRIS H. WHITEMAN,
Director Industrial Development

October 1956

EXHIBIT 15 (Continued)



re continually work-
attractive from the
, etc. Many have
uation surveys, co-
s and others in pro-

stly within the past
for the purpose of
Some, and perhaps
ul. All others are

amber of Commerce
h industrial service
State Chamber, the
d others. Some ex-
oted, attached.

(blue star) of each
most communities in
e green dot is indi-
The red dot repre-

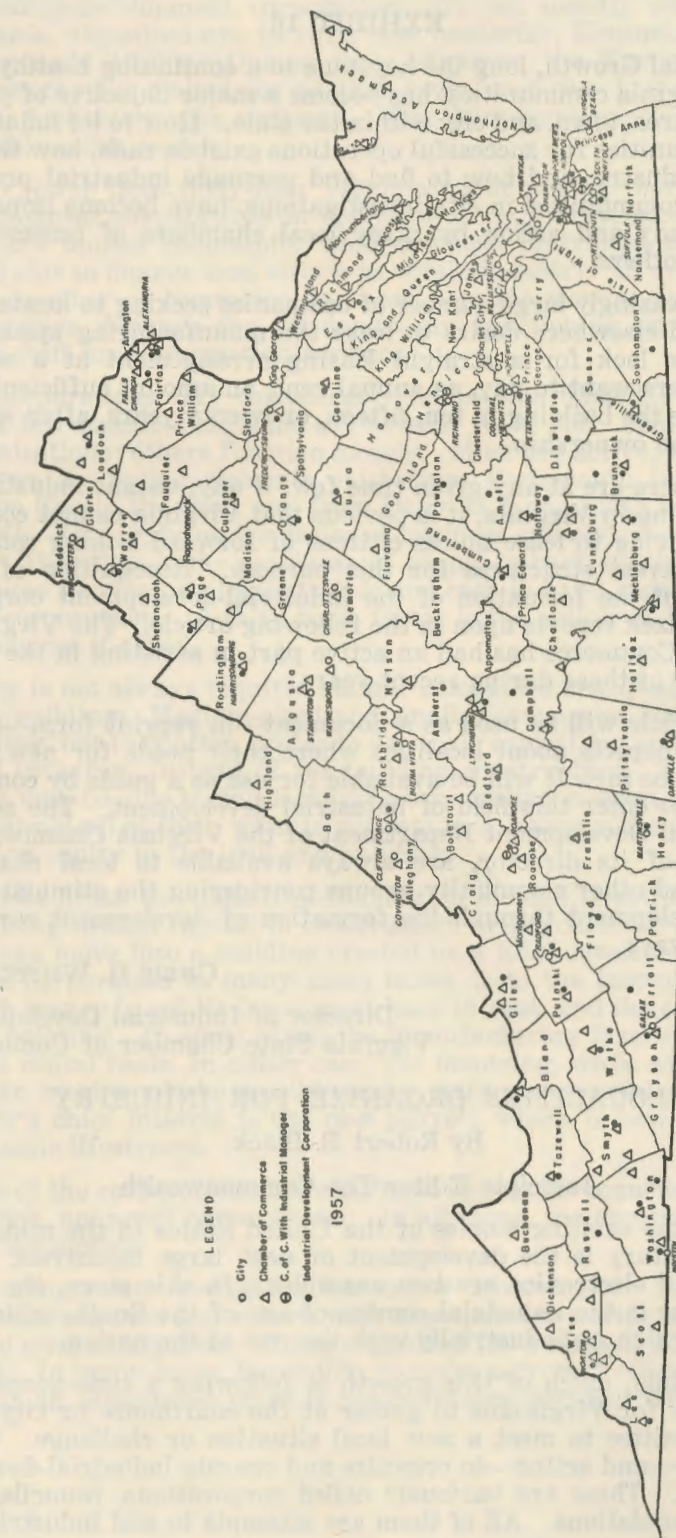
ontinuing communi-
kes full use of their
e cooperative assis-
f tourist promotion,
lture, management-
tourist promotion,
al resources, timber,

Ernst, President

H. WHITEMAN,
ial Development

October 1956

EXHIBIT 15 (Continued)



DIVISION OF PLANNING AND ECONOMIC DEVELOPMENT

EXHIBIT 16

Industrial Growth, long the keystone to a continuing healthy economy of many Virginia communities, has become a major objective of practically every rural area, town, and city within the state. How to let industry know what opportunities for successful operations exist in each, how to organize to attract industry, and how to find and persuade industrial prospects to include the communities in site investigations, have become important objects for study and action by many local chambers of commerce, civic groups, and others.

An increasingly large number of companies seeking to locate plants in Virginia and elsewhere desire to lease the manufacturing space they require. Some look for a straight leasing arrangement at a set annual rental. Others want to pay, as annual rent, an amount sufficient to carry and amortize the building in ten, fifteen, or twenty years, after which they would assume ownership.

Since there are at any given time few, if any, vacant industrial buildings for leasing in Virginia, it is obvious that Virginia cannot compete for industry desiring to lease unless citizens of forward-looking communities organize to erect structures for this purpose. Recognition of this has brought about the formation of the industrial-development corporations, which Mr. Black reports upon in the following article. The Virginia State Chamber of Commerce has had an active part in assisting in the organization of many of these during recent years.

This article will be used as a document—in reprint form—to inform industrial prospects about localities where their needs for new buildings to lease may be met. It will be available for use as a guide by communities that desire to enter this field of industrial development. The services of the Industrial Development Department of the Virginia Chamber of Commerce, and of its director, are always available to local chambers of commerce and other community groups considering the stimulation of industrial development through the formation of development corporations or in other ways.

CHRIS H. WHITEMAN,

Director of Industrial Development
Virginia State Chamber of Commerce

LOCALITIES ORGANIZE FOR INDUSTRY

By Robert E. Black

Associate Editor The Commonwealth

One of the exciting stories of the United States in the middle of the twentieth century is the development of new, large industries, of which chemicals and electronics are two examples. In this story, the most exciting chapter is the industrial coming-of-age of the South, which is now hurrying to catch up industrially with the rest of the nation.

In Virginia, much of this growth is following a time-honored form. It is not new for Virginians to gather at the courthouse or city hall and form a committee to meet a new local situation or challenge. They are now meeting—and acting—to organize and operate industrial-development corporations. These are variously called corporations, councils, associations, and foundations. All of them are attempts to add industrial muscle to the Virginia economy.

Industrial-development
Pennsylvania, organize
one in the early 1920's
brought twenty-five in
ization has had thirty-
efforts until recent year

In no fewer than
trial-development corpo
or there are unified c
ready and able to financ
locality's chamber of
the corporation depend
commerce staff and inf

The corporations v
are only a few months
knit organizations; othe
so. But two unvarying
Pennington Gap in the
in the north. One is the
industry. The other is
money. These two factor
of all the corporations.
put up factories if asked

Money is not always
their own buildings. Me
of expanding, but they c
plies, and inventory ins
companies may be able
leasing, but not all of th
of acquiring equity in th

To these firms, the
out sacrificing needed c
company can move into
tion. The corporation
for enough money to get
owns the building. In s
tinue on a rental basis.
liberal than what would
community's chief inter
local economic lifestream

Some of the corpora
are nonstock, nonprofit
benefit is the motive.

The community fo
usually comprises men a
nesses and civic enterpri
move fast. In many cas
building at an establish

EXHIBIT 16 (Continued)

Industrial-development corporations are not exactly new. Easton, Pennsylvania, organized one in 1910, and Louisville, Kentucky, organized one in the early 1920's. During their lifetimes, the Easton group has brought twenty-five industries to that town, and the Louisville organization has had thirty-nine successes. But there were relatively few such efforts until recent years.

In no fewer than forty-four Virginia communities, there are industrial-development corporations in operation or in process of organization, or there are unified community groups whose individual members are ready and able to finance local efforts to obtain industry. In every case, the locality's chamber of commerce has been a prime mover. In every case, the corporation depends for its day-to-day functioning on chamber of commerce staff and information services.

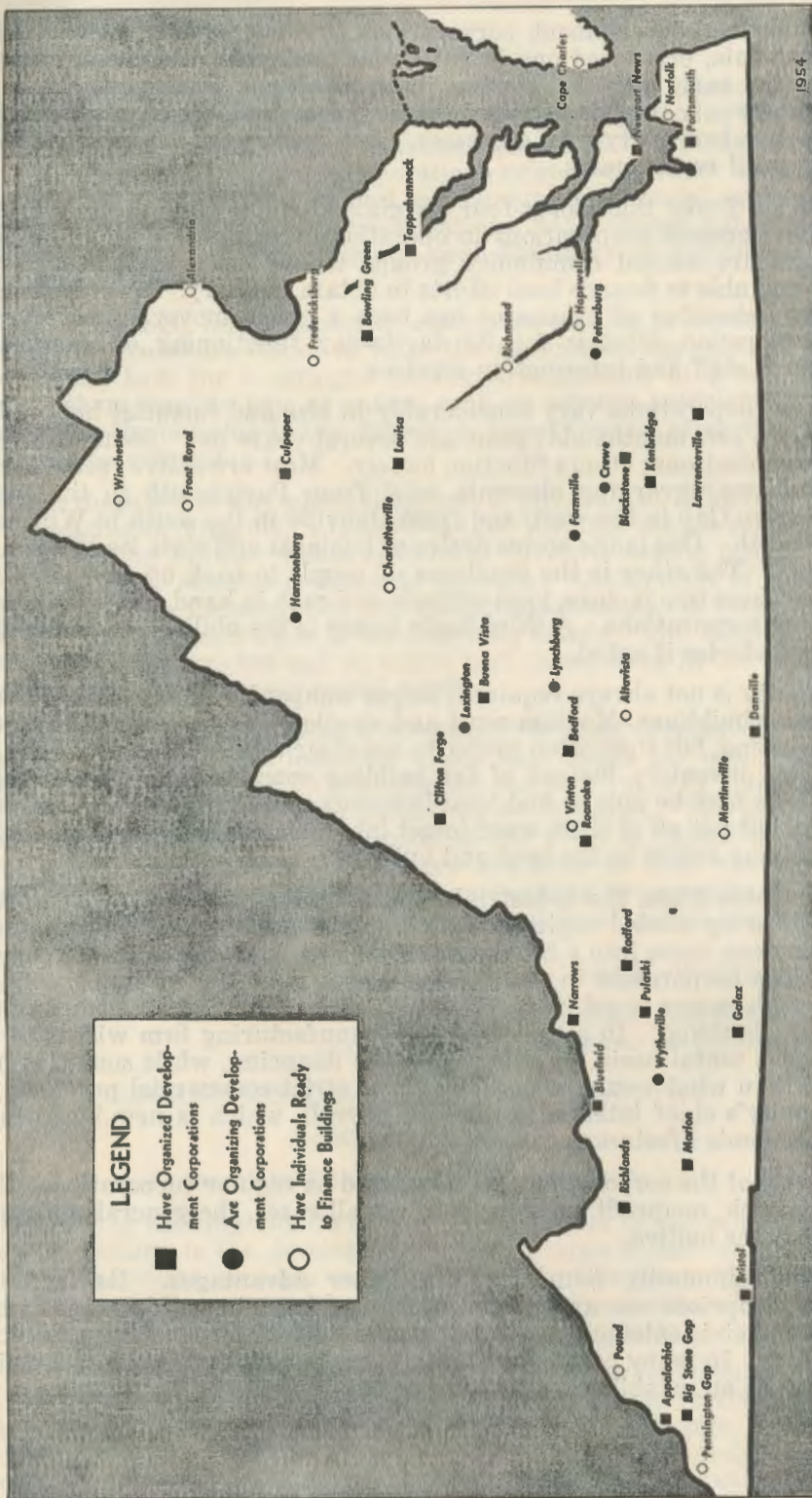
The corporations vary considerably in size and financial bulk. Many are only a few months old; some are several years old. Some are tightly knit organizations; others function loosely. Most are active; some are less so. But two unvarying elements exist from Portsmouth in the east to Pennington Gap in the west, and from Danville in the south to Winchester in the north. One is the active desire of business and civic leaders for new industry. The other is the readiness of people to back up their talk with money. These two factors, local attitude and cash in hand, exist in the cases of all the corporations. A third basic factor is the ability and readiness to put up factories if asked.

Money is not always required; larger companies nearly always finance their own buildings. Medium-sized and smaller companies may be capable of expanding, but they often prefer to use their capital for machinery, supplies, and inventory instead of for building construction. These smaller companies may be able to find local investors willing to erect buildings for leasing, but not all of them want to get into long leases without any chance of acquiring equity in the land and building.

To these firms, the industrial-foundation method is attractive. Without sacrificing needed capital in construction or purchase of a building, a company can move into a building erected by a local development corporation. The corporation in many cases leases it to the incoming company for enough money to get its investment back in rent, and the company then owns the building. In some cases, the manufacturing firm wishes to continue on a rental basis. In either case, the financing, while sound, is more liberal than what would be possible under strict commercial practice. The community's chief interest is the new payroll, which is new blood in the local economic lifestream.

Some of the corporations are chartered as regular corporations. Some are nonstock, nonprofit corporations. In all cases, the general community benefit is the motive.

The community foundation has other advantages. Its leadership usually comprises men and women with experience in a wide range of businesses and civic enterprises. Being organized for a distinct purpose, it can move fast. In many cases, the ability to make a prompt offer of a definite building at an established price is the difference between winning a new



industry and not win hold parcels of land by can guarantee immediate There cannot be any ment corporation own

The Virginia development industry as subsidy, operates this line: business particular town are liability; and if they can such bait, they may be company may bring in the burden of all citizens bills to maintain a good

"Although no actual buildings, or concessions Roanoke Valley Development corporation affords Virginia in other states offering inducements."

Another advantage it can deal quietly with community. For good secret as long as possible in leaving its present

Members of a four what they could never development corporation many of its basic assets industries and for general and a picture file to show a joint industrialization of commerce, which has ways bear down with it and staff must perform be financially liable for corporation can.

The potentialities development corporations are locally managed.

In Bluefield, in operated with existing This can help a community

In Bluefield and into West Virginia and areas.

Statements of purpose very broad. The Blue employment opportunities of the area by acquiring and commercial sites,

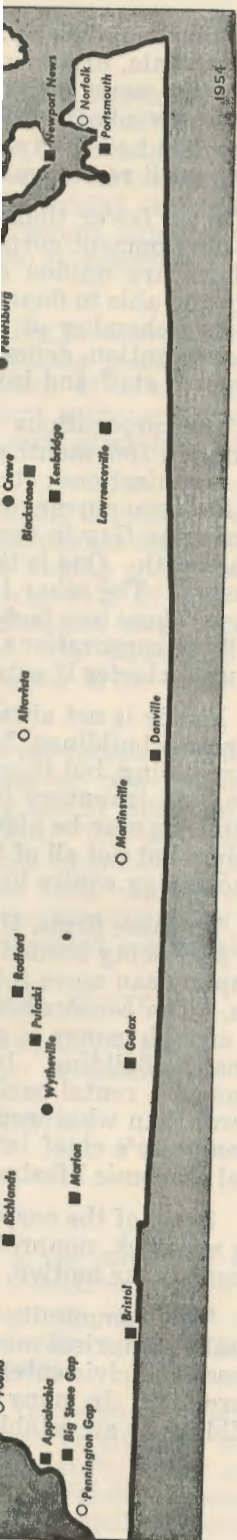


EXHIBIT 16 (Continued)

industry and not winning it. Furthermore, industrial foundations often hold parcels of land by option, and if they have a cash fund at hand, they can guarantee immediate purchase of land for a prospective industry. There cannot be any inflation of the price when the community development corporation owns the land or holds options on it.

The Virginia development corporations cited here do *not* offer any industry as subsidy, openly or in any disguise. Thinking on this matter follows this line: businesses that ask for concessions in order to come to a particular town are likely to be weak companies and a potential or real liability; and if they can be lured to one town by tax freedom or some other such bait, they may be lured elsewhere later. Also, concessions given one company may bring in others on a similar basis. Each one would add to the burden of all citizens, industries, and businesses that are paying the tax bills to maintain a good community.

"Although no actual subsidies are offered, such as free land, free buildings, or concessions on taxes or utilities," a spokesman for the Roanoke Valley Development Corporation has written, "the development corporation affords Virginia cities an opportunity to compete with areas in other states offering outright gifts of land and buildings, or other inducements."

Another advantage of the industrial-development corporation is that it can deal quietly with both a prospective new industry and parties in the community. For good business reasons, a company usually wants to keep secret as long as possible its interest in expanding into a certain town or in leaving its present location.

Members of a foundation also may be able to do financially, as a group, what they could never do singly. There are other advantages. The development corporation is justified in preparing some kind of sales summary of its basic assets and characteristics for the information of potential industries and for general distribution. A summary, a special letterhead, and a picture file to show prospective industries may be more feasible in a joint industrialization effort than in an individual effort. A local chamber of commerce, which has many other functions in a community, cannot always bear down with full weight on an industrialization effort. Its budget and staff must perform other services. A chamber of commerce cannot be financially liable for costs of constructing buildings, but a development corporation can.

The potentialities, the goals and the chartered rights of the various development corporations vary widely, since they are local in origin and are locally managed.

In Bluefield, in Kenbridge, and elsewhere, corporations have co-operated with existing local organizations to help them with expansion. This can help a community as much as can a new factory.

In Bluefield and Bristol, the corporations specifically cross state lines into West Virginia and Tennessee, respectively, in dealing in their economic areas.

Statements of purpose in the charters of the corporations are generally very broad. The Bluefield group states as its purpose: "To enlarge employment opportunities and to advance the industrial and commercial life of the area by acquiring ownership or control of advantageous industrial and commercial sites, by improving and utilizing the same in the com-

EXHIBIT 16 (Continued)

munity's interest, by seeking additions to the business life of the community, and by fostering local enterprise." In Bluefield, as in Bristol and other Southwest Virginia communities, the depressed economic situation in the coal fields gave impetus to formation of development corporations.

Other corporations, such as that in Bristol, provide that "property acquired or constructed by the corporation may be mortgaged or financed or leased or sold or otherwise disposed of as authorized by the board of directors." The directors may declare dividends out of current or accumulated net earnings.

Portsmouth has one of the more complete development programs, in which land has been acquired and buildings have been erected. This is also one of the most successful Virginia programs. The foundation, which went into business actively in 1950, has built factories for a plastics firm, a rubber company, and a ladies' garments manufacturer, and has contracted for a fourth building. The buildings are being sold to the occupants over a ten-year span, at 4½ percent interest.

About forty acres of land are now held by the foundation at Portsmouth. Several million dollars in annual payrolls are the direct result of financing and construction done by this foundation. Its plan of work for the 1954-55 year includes such items as a labor survey, booklets for various specific purposes, maintenance of a master industrial survey and sites file, exhibits, mailings, road trips to see prospects, local publicity, favorable testimonial letters from local officials, promotion of local industries, and cooperation with other industrial agencies of the area.

In dealing with one company that recently located in the Portsmouth area, the foundation provided a fact file that contained: half of a page each about raw materials availability, markets, seasonal temperatures, and recreation; a page each about labor availability, labor laws, and transportation facilities; a page and a half on water analysis; two pages about power; six pages about fuels; two pages about taxes; and ten pages of summaries and maps about specific industrial sites and areas.

The broad and extensive purposes of this foundation include: assistance to industry already in the area, attracting of other industry to the area, evaluation of potential industry in terms of its probable benefit to the area, purchase of land and erection of buildings, and informing the community of its work.

Besides the facts about labor, taxes, and other factors that all industrial prospects want about a locality, all companies always want other information. One development corporation spokesman has written: "Many concerns quietly search out the other inner workings of the communities they are investigating, especially where migrating personnel is affected. The attitude of the people and local government is very important. . . . Are the environmental features right? Are the educational, cultural, religious, and recreational facilities adequate?" These factors are especially vital when large numbers of people are involved and when millions of dollars in investment are at stake.

An important function of the development corporation and of the local chamber is to make certain that officials of a prospect company meet the right local people in the right surroundings and atmosphere. This offers opportunity for personal acquaintance. Company officials also may want to see in person some important features of an area. The visiting officials may wish to move incognito.

As of December, 1953, twenty-four Virginia local development corporations are in work and work of each is progressing.

Bedford Builders, Inc., president, was organized in 1950. It was sold to 150 community members, a bank, to erect a \$65,000 dress manufacturer. The company has with option to renew for more years at an increase in rent and fire insurance on the premises. The first year. On December 1, 1953, borrow \$40,000 on the premises. The company should request it.

Blackstone Industries, Inc., president, was chartered in 1950. It is being a minimum of \$100,000. \$54,800 was raised in the first year. The company is now located in Portsmouth.

The Bluefield Area Development Corporation, president, was chartered in 1953, as a non-profit corporation. It was pledged in ten days to lease, acquire, control, improve, dispose of industrial or commercial property, bonds, and other securities. It is incident to or desirable to the above enumerated."

The Bluefield corporation, president, has finance, executive committees, and a comprehensive report.

The Caroline County Development Corporation, president, of this year, and Edward J. Smith, potential pilot plant site, a hard-surfaced road for trucks and road tracks.

Bristol Industrial Development Corporation, president, minimum amount of \$50,000. It is being issued in shares of \$100 each. Bristol and the counties of Buchanan, Buchanan, and Buchanan. T. S. Bradford.

The Buena Vista Development Corporation, president, September of this year. It is construction of a 25,000 sq. ft. building. It is asked at the time of work. It is women and fifty men, work.

The Buena Vista Development Corporation, president, scribed by local investors. It is company. For each \$100 share, common stock at \$10 a share.

EXHIBIT 16 (Continued)

As of December, 1954, industrial foundations were functioning in twenty-four Virginia localities. A brief description of the organization and work of each is presented here.

Bedford Builders, Inc., of Bedford, of which Guy E. Murray is president, was organized in October, 1952. A total of \$61,100 of common stock was sold to 150 community stockholders, and \$4,000 was borrowed from a bank, to erect a \$65,000 building already contracted for by a New York dress manufacturer. The manufacturer leased the building for a year, with option to renew for a second year at the same rental and then for five more years at an increased rental. The Bedford corporation pays taxes and fire insurance on the building. Stockholders received 5 percent dividends the first year. Officers of the corporation believe they could now borrow \$40,000 on the building for erection of a new one, if a prospect should request it.

Blackstone Industrial Development, Inc., of which A. B. Cummins is president, was chartered in May, 1954, with its authorized capitalization being a minimum of \$50,000 and a maximum of \$300,000. A total of \$54,300 was raised in the first six weeks, and a pilot plant for a garment company is now located in the Southside Virginia community.

The Bluefield Area Development Corporation was chartered in December, 1953, as a nonstock, nonprofit corporation. A total of \$185,000 was pledged in ten days. The corporation's charter empowers it to "buy, lease, acquire, control, improve and to use, sell, exchange, lease or otherwise dispose of industrial or commercial sites . . . buy, sell, and deal in stocks, bonds, and other securities, and generally to do such other things as may be incident to or desirable in connection with the objects and purposes above enumerated."

The Bluefield corporation, which is headed by Roland C. Luther as president, has finance, industrial, site, publicity, survey, taxation, and executive committees, which have functioned since August, 1954. Regular and comprehensive reports are made to all contributors.

The Caroline County Development Association was organized in May of this year, and Edward Stehl is its president. It has available three potential pilot plant sites, in the form of warehouses, that are located along a hard-surfaced road four miles from Bowling Green and adjacent to railroad tracks.

Bristol Industrial Development Corporation is capitalized for a minimum amount of \$50,000 and a maximum of \$250,000, with capital stock being issued in shares of \$100. Its area of operation includes the city of Bristol and the counties of Washington in Virginia and Sullivan in Tennessee. T. S. Bradford is chairman.

The Buena Vista Development Corporation, which was chartered in September of this year and of which E. J. Schneider, Jr., is president, plans construction of a 25,000-square-foot building; contractors' bids had been asked at the time of writing. The occupant, who would employ about 250 women and fifty men, would buy the building over a ten-year period.

The Buena Vista financing is to be done through \$60,000 already subscribed by local investors and a loan of \$60,000 from an insurance company. For each \$100 subscribed, the corporation will issue two shares of common stock at \$10 a share and ten \$8 debenture notes. A net return

EXHIBIT 16 (Continued)

of 4½ percent to subscribers is expected. The intended plant site was given to the development corporation by persons in Buena Vista.

The Clifton Forge Development Corporation was formed in 1950, with capital of \$81,000. It purchased thirty-eight acres of land and buildings at Iron Gate in 1951, razed the buildings, and sold part of the tract for industrial development in 1954. Also, land and buildings in Cliftondale Park were bought in 1953 and sold on a lease-purchase agreement in 1953. Earl L. Abbott is president of this corporation.

The Culpeper Industrial Corporation was chartered in August, 1954, with broad powers to build and invest in land, buildings, and businesses. Maximum capital stock of \$100,000 was authorized in the charter. Walter B. Potter is president of this corporation, whose interests are county-wide.

Danville Industrial Development, Inc., was organized in 1947 with an authorized capitalization of \$300,000. Stock issued so far, in \$10 shares, totals \$56,680. The corporation owns thirteen acres.

In 1953, the Danville corporation bought a site and financed a 20,000-square-foot building at a total cost of more than \$100,000. This building is being leased to an industry under a twenty-year amortization plan. The tenant pays a monthly rental and cares for taxes, insurance, and maintenance. Full employment is expected to reach 200 persons. George S. Hughes is president of this development corporation.

Galax Holding Corporation was chartered in October, 1953, as a non-profit corporation and now has \$50,000 outstanding in stock. The corporation owns nine acres of excellent industrial land and has other land and a building under lease. Dan. B. Waugh is president.

The Giles-New River Development Corporation was chartered for a minimum capitalization of \$50,000 and a maximum of \$200,000. Fund-raising for the nonstock, nonprofit corporation had brought in \$38,500 by October 15. H. J. Romanus of Narrows is president.

Kenbridge Industries, Inc., which was organized in 1946, constructed in 1948 a \$65,000 building and facilities for a hosiery mill. This was financed by \$30,000 in stock sold to Kenbridge citizens and by bonds secured by a deed of trust on the property. The tenant agreed in 1949 to purchase the building if Kenbridge Industries would construct housing facilities for employees. This was done, and the houses are now being rented. In 1952, the corporation financed a \$20,000 agricultural agencies office building in Kenbridge and, in 1954, a \$7,000 addition to this building. C. T. Ripberger, Jr., is president of this corporation.

Lawrenceville Industries, Inc., which was incorporated in 1947, has capital stock of \$75,000. The corporation erected one building in 1947, and it now has land for other purposes. W. S. Peebles, Jr., is president of the seven-year old group.

The Louisa Industrial Development Corporation was chartered in November, 1954, with a maximum capitalization of \$50,000 and a right to hold title to as much as 500 acres of real estate. It is expected that industrial sites now held by the Louisa Chamber of Commerce will be turned over to the corporation. A fund drive is planned. C. M. Mills is president of the Louisa group.

The Luray Civic League, Inc., was formed by seventy-five Luray and

Page County business corporation owns one tract available, and has options from three to 100 acres of facilities. The league is responsible industries.

Smyth County has a building with a maximum stock on stock. The group building. Haywood M.

The New Castle is ing two plants. Both instances local people and the rest was occupied under medium 150 feet; the other with high school and mineral waters, general

In Newport News dates from 1946, has it supplied some of regularly. The non-profit ing. Philip W. Murph

The Powell River this year, with a m Big Stone Gap are quarters are established is president.

Portsmouth Inc. operation in 1949. corporation was set sons. Three factory 000, and a fourth by development corporation title and options on U. S. 58 and which

This foundation County, now has as operates as a revolving (much of this was in 1955. A total of by the foundation's

Frank D. Lawr by the Portsmouth no operating expenses twenty-nine page pr

Pulaski County 1953, has capital of there was such a c recently was influen

EXHIBIT 16 (Continued)

Page County business and professional men in 1953. The nonprofit corporation owns one twelve-acre site with town water and electric power available, and has options on eight other industrial sites ranging in size from three to 100 acres. All nine sites are close to through rail and road facilities. The league is able to give consideration to financial help to responsible industries. Lindsay Lawler is president.

Smyth County Development Corporation, which was formed in 1954 with a maximum stock authorization of \$100,000, now has \$40,000 paid in on stock. The group has one industrial site and is prepared to erect a building. Haywood M. Sparger is president.

The New Castle Building Corporation has been instrumental in erecting two plants. Both buildings are of cinder block construction; in both instances local people subscribed to stock purchases for part of the cost and the rest was borrowed at moderate interest. Both buildings are occupied under medium-term leases with options for renewal. One is 75 by 150 feet; the other is 48 by 100 feet. Available labor includes 300 men with high school education. New Castle is near Roanoke, and has fine mineral waters, generous power supply, and road and rail connections.

In Newport News, the Peninsula Industrial Finance Corporation which dates from 1946, has assisted in the financing of six buildings. Originally, it supplied some of the financing, but no longer has funds to finance regularly. The nonprofit corporation still freely assists in arranging financing. Philip W. Murray is president.

The Powell River Industrial Development Corporation was chartered this year, with a maximum capitalization of \$100,000. Appalachia and Big Stone Gap are the cooperating communities, and corporation headquarters are established in Big Stone Gap. J. N. Donaldson of Appalachia is president.

Portsmouth Industrial Foundation was chartered in 1948 and began operation in 1949. Maximum capitalization of the nonstock, nonprofit corporation was set at \$250,000, and subscriptions were made by 555 persons. Three factory buildings have been erected at a total cost of \$240,000, and a fourth building now is contracted for a cost of \$150,000. The development corporation purchased fifty-six acres of land, and it now has title and options on forty-three acres, which lie just west of the city near U. S. 58 and which have nearby rail facilities.

This foundation, which serves the city of Portsmouth and Norfolk County, now has assets of \$291,500 and \$45,800 in cash. The foundation operates as a revolving fund. Its monthly income in 1954 was \$2,187 (much of this was in rent), and is due to increase to \$2,555 per month in 1955. A total of \$27,000 in "profits" was added to the revolving fund by the foundation's operations between 1950 and the latter part of 1954.

Frank D. Lawrence is president of this foundation, which is serviced by the Portsmouth Chamber of Commerce offices and staff and which has no operating expenses except professional fees. The foundation offers a twenty-nine page prospectus.

Pulaski County Development Corporation, which was organized in 1953, has capital of \$35,000. J. H. Chapman, Jr., is president. Because there was such a development corporation in Pulaski, one manufacturer recently was influenced to locate there.

The Richlands Industrial Development Corporation was chartered in August, 1954, with a minimum of \$5,000 and a maximum of \$100,000 in common stock being authorized at \$10 a share. The maximum amount of property that may be held by the corporation is 2,500 acres in the Richlands-Cedar Bluff area. The group is empowered to acquire property and erect buildings. Andy H. Jenkins is president.

The Radford Industrial Development Corporation was chartered in July of this year with a maximum capitalization of \$50,000. The corporation has acquired some land. John B. Spiers, Jr., is president.

Roanoke Valley Development Corporation was organized in September, 1953, with a minimum authorized capitalization of \$100,000 and a maximum of \$500,000, in shares of \$100 each. Its initial cash fund was \$120,000. The corporation holds options on a considerable amount of land, and in its first year of operation it helped to close negotiations for Roanoke Valley plant sites with four firms that will employ a total of about 2,250 persons and have annual payrolls totaling about \$10 million. The corporation is empowered to build for industries and to loan money, but it has concentrated on reserving good industrial sites in the rapidly growing Roanoke area.

A complete photographic study of potential industrial locations in the Roanoke area is now virtually complete. Full descriptions of sites and economic details of the entire area also are on file.

The Roanoke Valley Development Corporation has provided some financial help to companies wanting some initial assistance at a favorable interest rate. The maximum amount of land the corporation can hold is 1,500 acres. Its area of operation includes the city of Roanoke, Roanoke County, the towns of Salem and Vinton, and surrounding county areas.

The Essex County Development Corporation in Tappahannock is comprised of the industrial committee of the Tappahannock Chamber of Commerce. This corporation has financed a \$38,500 building through \$20,000 in payments from local businessmen and two bank loans. The occupant of the building constructed is buying it over a ten-year period, paying 4 percent interest. The corporation has an additional thirty-four acres, for occupation of which it seeks two diversified plants with total employment of about 200 men and women. William H. Kriete is president of the Essex County organization.

In thirteen other communities and areas, individuals, in cooperation with the chamber of commerce, stand ready and able to finance construction for new industry if assistance be needed. These communities have industry committees working through the chamber of commerce to facilitate an increase of industry in those communities.

In the city of Martinsville and Henry County, where there is no chamber of commerce, the Martinsville-Henry County Development Association is an area-promotion association with industrial aspects. A summary of social, recreational, industrial, and economic facts about the city and county has been prepared. A. J. Evans is chairman of the association.

Communities in which individuals stand prepared to finance building construction include Alexandria, Altavista, Cape Charles, Charlottesville, Fredericksburg, Front Royal, Hopewell, Norfolk, Pound, Richmond, Vinton, Winchester and Lee County.

In Alexandria or
The Altavista Ch
15,000 square feet fo
and 150 workers.

The Fredericksb
Fredericksburg Char
vidual there complete
individuals in the Fr
processing plant for

Industrial-develo
tion prior to incorpo
ville, Lexington, Lyn
Wytheville. Individu
ville efforts. The Lyn
for a state charter at
under option for a no
Alleghany County D

Many developme
experience that indu
because existence of
in working toward so
representative of eve
and answer the basi
industrial prospects.

One successful
words: "The nation's
interested in the citi
dustry. Although m
ment groups, they k
corporation is tangib
given genuine suppor

The effect of thi
ginia localities is not
to blot the landsca
materials and refuse
are more than ever
strictions and long-ra
of nearly all local de
will help industrial a
necessary and pertin
sistance will be rende
best interest of the

on was chartered in
mum of \$100,000 in
maximum amount of
0 acres in the Rich-
acquire property and

n was chartered in
\$50,000. The cor-
is president.

ganized in Septem-
of \$100,000 and a
initial cash fund was
iderable amount of
se negotiations for
employ a total of
about \$10 million.
and to loan money,
sites in the rapidly

erial locations in the
otions of sites and

as provided some
nce at a favorable
oration can hold is
Roanoke, Roanoke
g county areas.

Tappahannock is
anock Chamber of
building through
bank loans. The
a ten-year period,
tional thirty-four
plants with total
riete is president

s, in cooperation
finance construc-
ommunities have
mmerce to facili-

ere there is no
velopment Asso-
pects. A sum-
s about the city
the association.

finance building
Charlottesville,
Richmond, Vin-

EXHIBIT 16 (Continued)

In Alexandria one two-story building was completed recently.

The Altavista Chamber is in a position to erect a building as large as 15,000 square feet for a reliable company planning to employ between 100 and 150 workers.

The Fredericksburg Area Development Committee, an arm of the Fredericksburg Chamber, is completing an economic survey. One individual there completed in 1953 a plant for a food manufacturer, and other individuals in the Fredericksburg area are preparing to construct a food-processing plant for a Florida company.

Industrial-development foundations are in various stages of organization prior to incorporation in the following communities; Crewe, Farmville, Lexington, Lynchburg, Harrisonburg, Petersburg, Covington, and Wytheville. Individuals in Max Meadows are cooperating with the Wytheville efforts. The Lynchburg effort was fully organized and ready to apply for a state charter at time of writing. In Covington, some land already is under option for a nonprofit corporation to be known as the Covington and Alleghany County Development Corporation.

Many development corporations have learned through actual operating experience that industry can be added without erecting buildings, solely because existence of the corporation was evidence that citizens were united in working toward sound industrial growth. Strong committees that are representative of every good element in a town and that are able to ask and answer the basic questions of industrial location are heartening to industrial prospects.

One successful corporation summarizes its belief in the following words: "The nation's industries planning new plant locations are primarily interested in the cities that materially evidence their desire for new industry. Although many do not intend to seek financial aid from development groups, they know that the very existence of a local development corporation is tangible evidence that their industries are welcomed and given genuine support by the community."

The effect of this attitude and effort to secure new industry for Virginia localities is *not* to produce a smokestack on every other corner and to blot the landscape with smokestacks and sprawling piles of raw materials and refuse. Quite to the contrary, new factories that come in are more than ever likely to be placed in line with area-wide zoning restrictions and long-range plans of cities and towns and areas. The charters of nearly all local development groups say, in effect, that the corporation will help industrial and commercial enterprises on matters that are deemed necessary and pertinent to its program of area development and that assistance will be rendered only to those enterprises that appear to be in the best interest of the over-all economy.

EXHIBIT 17

ATLANTIC COAST LINE RAILROAD COMPANY

Wilmington, North Carolina

September 11, 1956

Mr. L. E. Ward, Jr., Manager
Industrial and Agricultural Department
Norfolk and Western Railway Company
Roanoke 17, Virginia

Dear Mr. Ward:

I regret delay in responding to your letter August 9, file 1136, with which you enclosed certain material dealing with the creation of a Commission by the Virginia legislature to study industrial matters in the State of Virginia, you having been appointed to serve on that Commission.

I have given your letter a considerable amount of thought and about the only conclusion reached is that I agree with the view expressed in your letter that the State and its agencies should concentrate their efforts on developing factual data with regard to the natural and human resources of the State of Virginia and dissemination of such information, rather than engage in direct industrial development solicitation. As you are no doubt aware, the Governors of a number of our southern states are devoting some time to "selling" their states to industrials throughout the North and Middle West. I have particularly in mind programs which have been inaugurated by Governor Griffin of Georgia and Governor Collins of Florida, and dinners which have been held at strategic points such as Chicago, New York and Cleveland, at which time the Governors personally presented the advantages of their states and policies of the states affecting new industry. The state of South Carolina has also effectively followed similar programs. Paragraph (e) of Senate Joint Resolution No. 24 indicates that Commission is to give consideration to similar use of the office of the Governor.

I am not prepared at this time to comment on how the other duties of the Commission, as outlined in the Senate Resolution, can best be conducted. It is my view, however, that creation of the Commission will at least have the effect of coordinating the industrial development program of the State of Virginia at state level and make available an organization which can materially assist in solving certain problems that inevitably arise in connection with specific projects.

If any further thoughts occur to me in connection with this matter, I shall be glad to communicate further with you.

Yours very truly,

(s) R. P. JOBB,
Assistant Vice-President

THE BALTIMORE

Mr. L. E. Ward, Jr.
Industrial and Agricultural
Norfolk and Western Railway
Roanoke 17, Virginia

Dear Mr. Ward:

Thank you for your letter
Virginia to study industrial
have heard of Senate Joint
thoughtfulness.

The action taken by the
its various agencies should
development coincide with
mission should concern
sources and advantages
of industrial development
Commission because of
new highway construction.

As you know, zoning
not stress too strongly
industrial sites—adjacent
properly zoned for use by
hibit the use of industrial
developments. The attached
ZONING—with which
interest to members of the
from Mr. Albert E. Reed,
mittee, 820 Huntington

The modern concept of
industrial zones recently
Supervisors of Contra Costa
Jan. 30, 1956, 292 P. 2
furnished us by the NIZ

Obviously the Commission
partment of Highways
particularly where such
point is touched upon in
and is especially appropriate
Highway Act. This Act
struction in the immediate
lowed carefully not only
influence construction of
not now served by adequate

I sincerely trust the
factory program to be
posted so that I may state

With warm regards

EXHIBIT 17 (Continued)

THE BALTIMORE AND OHIO RAILROAD COMPANY
TRAFFIC DEPARTMENT

Baltimore 1, Maryland

August 21, 1956

Mr. L. E. Ward, Jr.
Industrial and Agricultural Manager
Norfolk and Western Railway Company
Roanoke 17, Virginia

Dear Mr. Ward:

Thank you for yours August 9 concerning a commission created by Virginia to study industrial development matters. As this is the first I have heard of Senate Joint Resolution No. 24, I sincerely appreciate your thoughtfulness.

The action taken thus far and your thoughts as to how the State and its various agencies should progress the question of future industrial development coincide with my thinking. I agree heartily that the Commission should concern itself primarily with developing data as to resources and advantages to industry. There are, however, several phases of industrial development that I feel should be carefully considered by the Commission because of their corollary effects, among them zoning and the new highway construction under the Federal Aid Highway Act.

As you know, zoning is becoming increasingly important, and I cannot stress too strongly the value of not only having available good industrial sites—adjacent railroads and good highways—but having them properly zoned for use by industry; conversely, modern zoning should prohibit the use of industrially zoned property for commercial or housing developments. The attached pamphlet—PRINCIPLES OF INDUSTRIAL ZONING—with which you doubtless are familiar, should certainly be of interest to members of the Commission. Additional copies can be obtained from Mr. Albert E. Redman, Secretary, National Industrial Zoning Committee, 820 Huntington Bank Building, Columbus 15, Ohio.

The modern concept of prohibition of non-conforming use in industrial zones recently was upheld by a court decision—Roney v. Board of Supervisors of Contra Costa County, District Court of Appeal, California, Jan. 30, 1956, 292 P. 2d 529. The attached resume of this decision was furnished us by the NIZC.

Obviously the Commission should work closely with the Virginia Department of Highways in connection with construction of new roads particularly where such construction involves industrial areas. This very point is touched upon in the PRINCIPLES OF INDUSTRIAL ZONING, and is especially appropos at this time because of the new Federal Aid Highway Act. This Act, as we all know, will greatly accelerate road construction in the immediate future, and such construction should be followed carefully not only to protect industrial areas but also to possibly influence construction of new roads into good potential industrial areas not now served by adequate highways.

I sincerely trust these thoughts will assist you in working out a satisfactory program to be followed by the Commission, and you will keep me posted so that I may stay abreast of developments.

With warm regards and hoping that I have been of some service, I am

Yours truly,

(s) GAYLE W. ARNOLD
Manager Industrial Development

EXHIBIT 17 (Continued)

THE CHESAPEAKE AND OHIO RAILWAY COMPANY

Terminal Tower, Cleveland, Ohio

August 22, 1956

Mr. L. E. Ward, Jr., Manager
Industrial and Agricultural Department
Norfolk & Western Railway Co.
Roanoke 17, Virginia

Dear Mr. Ward:

This acknowledges your letter of August 9, File 1136, with reference to a first meeting of the Industrial Development Study Commission, created by Senate Joint Resolution No. 24.

I am sure that representatives of all of the railroads serving Virginia join me in appreciation of your letter and your announced intention to keep us advised as to the conclusions of the Study Group.

As to our program of industrial development, I am certain that it more or less parallels yours or that of any other railroad. We have to resort to so many ways of doing things that I believe it would be rather difficult to outline any procedure that might be considered typical. However, if you think it necessary, I am perfectly willing to try to prepare some kind of a description of our activities. If you want that, please drop me another line and let me know.

I am in hearty accord with your thought that the state agencies should concentrate their efforts on the development and dissemination of information rather than making contact with industrial prospects. For example, I am quite sure that all is not known about the mineral and water resources of Virginia. Development of information along these and other lines by state agencies would, in my judgment, be worth far more to the economy of Virginia than will an attempt by a state agency to locate a plant at any specific point.

I hope the Study Commission will be objective and positive in its report to the Governor and General Assembly. If I can perform any function that will assist you in getting your thoughts across to the Commission, I shall be glad to do so.

Please pay my respects to Larry Duncan and Bob Keithly.

Very sincerely yours,

(s) WAYNE C. FLETCHER

Director of Industrial Development

LOUISVILLE
INDUSTRIAL

Mr. L. E. Ward, Jr., M.
Industrial and Agricu
Norfolk & Western Ra
Roanoke 17, Virginia

Dear Mr. Ward:

The material sent
first I have seen regardi
concerning the industri

After carefully rea
help but concur in the o
in your letter. The st
comprehensive and we
sources—natural, manu
available in published,
utilities and other agenc
industrial and economic

While the Louisville
of Virginia, that being t
we have nonetheless fo
graphic mapping, excep
Valley Authority. It n
program, the Commissi
map files with new mapp
recently completed by t
through their state deve
the U. S. Geological Surv

The matter under d
any other thoughts occ
before this group, I'll gla

We are pleased that
representative on this I
am sure that you will co
while program. If there
assist, please let us know.

EXHIBIT 17 (Continued)

LOUISVILLE & NASHVILLE RAILROAD COMPANY
INDUSTRIAL DEVELOPMENT DEPARTMENT

Louisville 1, Kentucky

August 25, 1956

Mr. L. E. Ward, Jr., Manager
Industrial and Agricultural Department
Norfolk & Western Railway Company
Roanoke 17, Virginia

Dear Mr. Ward:

The material sent me with your letter of August 9th, file 1136, is the first I have seen regarding the legislation passed by the Virginia legislature concerning the industrial development program for that state.

After carefully reading the resolution and the Senate Bill I cannot help but concur in the opinion expressed in the last paragraph of page one in your letter. The state can be much more effective by developing a comprehensive and well coordinated program relative to available resources—natural, manufactured, and human, and to make that material available in published, readily useable form by communities, private utilities and other agencies within and outside of the State as aids in such industrial and economic development efforts.

While the Louisville & Nashville Railroad serves only a small portion of Virginia, that being the extreme western tip in Wise and Lee Counties, we have nonetheless found lacking there adequate and up-to-date topographic mapping, except that which has been prepared by the Tennessee Valley Authority. It may be desirable to propose that as part of its program, the Commission consider a plan to improve their topographic map files with new mapping of the 1/24,000th scale variety similar to that recently completed by the State of Kentucky. Kentucky did this job through their state development organization using matching funds from the U. S. Geological Survey.

The matter under discussion will be kept before us and in the event any other thoughts occur regarding the improvement of the program before this group, I'll gladly acquaint you with them.

We are pleased that the Governor has seen fit to include a railroad representative on this Industrial Development Study Commission and I am sure that you will contribute a good deal toward formulating a worthwhile program. If there is any other way in which you think we can assist, please let us know.

Sincerely yours,

(s) RAYMOND E. BISHA,
General Industrial Agent

July 8, 1957

Mr. Clark P. Spellman,
Director of Area Development
Virginia Electric and Power Company,
Richmond, Virginia.

Dear Mr. Spellman:

This is in reply to your request for comment from the Norfolk and Western Railway in regard to our program of industrial development.

Like all major railroads and private power companies serving Virginia, the Norfolk and Western Railway Company maintains its own industrial development department. All of these departments generally work on the same relative pattern, as do the Chambers of Commerce maintained by all major and many small communities. The primary requisite of any industrial promotion group is the necessity of having up-to-date factual information concerning both natural and man-made resources. None of these communities or groups are equipped for or, in some cases, qualified to develop this information for the entire State.

Therefore, the greatest contribution the State of Virginia can make to industrial development within its borders, and its sole duty, should be to make the maximum possible effort to accumulate and publish all possible data concerning its resources and keeping this data up-to-date. By leaving all contact work and promotion work in the hands of local communities and private enterprise, the State can add to its stature as the provider of unbiased information and reap the benefits of increased activities on the part of the local communities and private enterprise.

It is my hope that the recommendations by the Commission to study Virginia's Industrial Development will be in line with the above.

Sincerely yours,

L. E. WARD, JR.,

Industrial and Agricultural Manager

Mr. L. E. Ward, Jr.,
Industrial and Agri
Norfolk and Wester
Roanoke 17, Virgini

Dear Mr. Ward:

This is in resp
prospective legislati
ment organization f

First, let me gi
trial development:

As you can rea
varied in activity. B

1. A continuing
territory ser
2. A continuing
basic factors
3. Compilation
of towns and
4. Establishing
achieved prin
 - a. National
 - b. Communi
 - c. Personal
 - d. Cooperati
parallel li

As you can well
I could elaborate at len
development work, bu
of our program of ac
safe in saying that it
other reputable develo

Now as to the ma
development, I would
belief that the state
concentrate their effo
data with regard to t
publication and dissen
direct industrial deve

I shall be glad to
Norfolk at any time
in your mind on whic
be glad to hear from

EXHIBIT 17 (Continued)

SEABOARD AIR LINE RAILROAD COMPANY
INDUSTRIAL DEPARTMENT

Norfolk, Virginia

July 8, 1957

Mr. L. E. Ward, Jr.
Industrial and Agricultural Manager
Norfolk and Western Railway Company
Roanoke 17, Virginia

August 14, 1956.

Dear Mr. Ward:

This is in response to yours of August 9th, File 1136, concerning prospective legislation looking toward the creation of an industrial development organization for the State of Virginia.

First, let me give you briefly something as to our program for industrial development:

As you can readily surmise, such a program is broad in scope and varied in activity. Briefly, however, it consists mainly of the following:

1. A continuing study of natural resources and raw materials in the territory served by our railroad.
2. A continuing study of the territory with particular reference to basic factors affecting the location of industry.
3. Compilation of information on industrial plant sites and surveys of towns and communities.
4. Establishing contact with logical industrial prospects, this being achieved principally by:
 - a. National advertising.
 - b. Communication by letters or circulars.
 - c. Personal contact.
 - d. Cooperation with other agencies in the territory working along parallel lines.

As you can well appreciate, there are variations to the foregoing and I could elaborate at length on the modus operandi employed in our industrial development work, but I believe this is a fairly accurate "thumbnail" sketch of our program of activity. As a matter of fact, I am certain that I am safe in saying that it is pretty much along the lines followed by you and other reputable development agencies.

Now as to the matter of organizing a state agency to promote industrial development, I would like to emphasize my concurrence in your expressed belief that the state and its agencies would probably be well advised to concentrate their efforts in developing the maximum amount of factual data with regard to the natural and human resources of the state and the publication and dissemination of such information rather than engaging in direct industrial development solicitation.

I shall be glad to discuss this matter with you if you happen to be in Norfolk at any time and, in the meantime, if there are further questions in your mind on which you feel that I can be helpful in answering, I shall be glad to hear from you.

Sincerely yours,

(s) WARREN T. WHITE
Assistant Vice President

SOUTHERN RAILWAY SYSTEM

OFFICE OF ASSISTANT VICE PRESIDENT

In charge of Industrial and Agricultural Development
Washington 13, D. C.

August 14, 1956

Mr. L. E. Ward, Jr., Manager
Industrial and Agricultural Department
Norfolk & Western Railway Company
Roanoke 17, Virginia

Dear Mr. Ward:

This is in response to your letter of August 9, file 1136, concerning the activity of the Industrial Development Study Commission.

Our Industrial Development program seeks to maintain current basic data on the various communities in Virginia served by Southern Railway and the continual search for sites, both "wet" and "dry", which may be available for development. We endeavor to maintain close liaison with our communities through their civic groups and individuals and with State agencies, State Chamber of Commerce and the public utility people.

Over the years our advertising program has directed attention to Virginia and her sister States in the South with the slogan "Look Ahead—Look South".

As for suggested functions of the State and its agencies in industrial development, your attention is directed to the program of the State of Kentucky as conducted by the Department of Economic Development and its predecessor, the Kentucky Agricultural and Development Board. Their methods and procedures in the assimilation of factual data and their means of making this material available could well serve as a study for your group. The importance of maintaining current data should be emphasized. Like ladies' hats, last year's model is open to criticism.

We will be pleased to receive information regarding the progress of the study group.

Sincerely yours,

(s) F. C. TOAL
Assistant Vice-President

ARE

Public

ARE

Area Development
the economic stability of
programs have as their
tion of the basic busi-
standard of living for

The importance of
the electric utility ind-
and West Virginia hav-
however, there has been
grams of these compar-
Area Development Co-
Virginias to provide in-
ment programs of five

It will be seen that
development in several
in the methods and on
certain aspects are bei-

Every company does
cooperative effort in a
ness, civic and govern-
offer assistance to civic
programs.

An example of the
companies with the wo-
is the program recently
D. Little report. West
the Arthur D. Little C-

MEM
PRESIDENT
Development

August 14, 1956

le 1136, concerning the
ission.

maintain current basic
by Southern Railway
"dry", which may be
close liaison with our
iduals and with State
lic utility people.

directed attention to
slogan "Look Ahead—

agencies in industrial
gram of the State of
mic Development and
opment Board. Their
data and their means
as a study for your
should be emphasized.
m.

ng the progress of the

TOAL
Vice-President

EXHIBIT 18

ELECTRIC COMPANY AREA DEVELOPMENT PROGRAMS IN THE VIRGINIAS

Area Development Committee
Public Utilities Association of the Virginias

ELECTRIC COMPANY AREA DEVELOPMENT PROGRAMS IN THE VIRGINIAS

Introduction

Area Development has been defined as the orderly improvement of the economic stability of a community, region or state. All area development programs have as their principal objectives the broadening and diversification of the basic business structure to provide more jobs and a rising standard of living for the people of the area.

The importance of area development has been widely recognized in the electric utility industry and the electric companies serving Virginia and West Virginia have been active in this work for many years. Recently, however, there has been a notable expansion of the area development programs of these companies. The report which follows was compiled by the Area Development Committee of the Public Utilities Association of the Virginias to provide information on the current status of the area development programs of five large electric companies operating in this region.

It will be seen that the individual electric companies approach area development in several different ways and there is considerable variation in the methods and organization used. It should be noted, however, that certain aspects are being emphasized by all companies.

Every company discussed in this report stresses the importance of cooperative effort in area development. All work closely with other business, civic and government organizations interested in the same field. All offer assistance to civic groups endeavoring to carry out local development programs.

An example of the close coordination of the efforts of the electric companies with the work of other groups interested in area development is the program recently developed in West Virginia based upon the Arthur D. Little report. West Virginia's Governor William C. Marland engaged the Arthur D. Little Company, a consulting firm, to survey the industrial

EXHIBIT 18 (Continued)

potential of the state and recommend methods of increasing the rate of economic growth. The resulting report stated that industrial development efforts in West Virginia should be concentrated on four types of industries—chemicals, woodworking, metals fabrication and apparel—and that certain promotional methods should be used. Working closely with the Governor and the state agencies involved, the electric companies of West Virginia assisted directly in the new promotional methods employed and, in some cases, changed the emphasis of their own area development programs to implement the objectives of the state government.

All companies have stepped up their efforts to attract new industries to their territories within the past two years. This has been done both by enlarging development departments and shifting emphasis from other fields.

National advertising to attract new industries now is used by every major electric company in Virginia and West Virginia—a substantial contribution to the overall task of area development in these states.

In this report there has been no attempt to list *all* of the activities of these companies in the field of area development. Rather, the purpose is to point out new methods and to disclose possible trends in area development programs.

AREA DEVELOPMENT COMMITTEE

H. D. Stillman, Chairman
Appalachian Electric Power Company

B. G. Atwood
Potomac Edison Company

G. W. Buzzard,
Monongahela Power Company

R. N. Fricke,
Virginia Electric and Power Company

W. C. Handlan,
Monongahela Power Company

D. M. Miller,
Appalachian Electric Power Company

G. F. Morgan,
Wheeling Electric Company

W. J. Stewart,
Wheeling Electric Company

August 20, 1956
Public Utilities Association of the Virginias
5 Franklin Road
Roanoke, Virginia

APPALACHIAN

Company and Territory

The Appalachian Electric Power Company serves West Virginia and a large part of Kentucky. Its heavy coal mining, chemical, and other manufacturing industries. Largest cities are Lynchburg, Appalachee, and Roanoke. Company system and headquarters—Roanoke, Virginia.

Area Development Objectives

Appalachian places emphasis on its area development program for improvement and agricultural development.

Area Development Organization

The area development program is managed by the Department in Roanoke. Development who report to the Manager. This department handles community development, Residential and Rural Development. Close coordination is maintained with the American Gas Association.

Appalachian has a special area development program. The Roanoke Development Representative and Charleston Division Representative situated in Charleston makes extensive use of the development program. The appropriate personnel develop activities. It is estimated that the company system devotes part of its budget to area development.

Agricultural and rural sales supervision and rural sales supervision.

Area Development Methods

1. Industrial Development

Appalachian participates in the advertising program of the American Gas & Electric Company. The A. G. & E. Company in publications such as *Engineering News-Record* and *the Wall Street Journal*. Appalachian also uses its own name under its own name.

EXHIBIT 18 (Continued)

APPALACHIAN ELECTRIC POWER COMPANY Area Development Program

Company and Territory

The Appalachian Electric Power Company serves most of southern West Virginia and a large portion of southwestern Virginia. The area has heavy coal mining, chemical, glass, metals, textiles and other manufacturing industries. Largest cities are Huntington, Charleston, Roanoke and Lynchburg. Appalachian is a part of the American Gas and Electric Company system and has approximately 458,993 electric customers. Headquarters—Roanoke, Virginia.

Area Development Objectives

Appalachian places strong emphasis on attracting new industries in its area development program. The company also stresses community improvement and agricultural development.

Area Development Organization

The area development program is handled by the Area Development Department in Roanoke under the supervision of the Supervisor of Area Development who reports to the company's Vice President and General Manager. This department is in charge of industrial development and community development portion of the program, and the Supervisor of Residential and Rural Sales handles agricultural development activities. Close coordination is maintained with the Director of Area Development of the American Gas and Electric Service Corporation in New York.

Appalachian has assigned geographical areas of its territory to division area development representatives in carrying out its development program. The Roanoke and Bluefield Divisions are handled by an Area Development Representative stationed in Roanoke and the Huntington and Charleston Divisions are handled by an Area Development Representative situated in Charleston, West Virginia. The Appalachian also makes extensive use of its district organizations in carrying out its development program. Through the division and district managers appropriate personnel devote a portion of their time to area development activities. It is estimated that at least 50 people throughout the company system devote part of their time to area development work.

Agricultural and rural development work is handled by residential and rural sales supervisors in each district.

Area Development Methods

1. Industrial Development Advertising

Appalachian participates in the national industrial development advertising program of its parent company, the American Gas and Electric Company. The A. G. & E. ad schedule consists of magazine advertisements in publications such as *Business Week* and *U. S. News & World Report*. The schedule also includes ads in financial and metropolitan newspapers like the *Wall Street Journal*, *Journal of Commerce*, and the *New York Times*. Appalachian also uses industrial development ads in regional publications under its own name.

EXHIBIT 18 (Continued)

Institutional advertisements discussing the importance of community effort toward area development are published by Appalachian from time to time in newspapers in its own territory.

Direct mail advertising is used intensively. This includes printed brochures, original letters and similar material which is sent to a mailing list of several thousand manufacturing firms, industrial realtors, engineering firms and consultants.

2. Assistance To Community Development Groups

Appalachian works closely with community, regional and state-wide groups interested in development work. District managers and district commercial managers are active in community improvement groups in their own districts. The Supervisor of Area Development works with these groups also by advising on organizational plans, promotional methods and actual contact work with industrial prospects. Contact with local development groups is carried on insofar as possible by local company personnel who are most familiar with local conditions with assistance coming from the Area Development Department when needed.

The company has been especially active in advising groups interested in establishing industrial development corporations to finance buildings or sites for new plants.

Publications and other data of current interest are furnished to local industrial development organizations periodically.

3. Development Surveys And Research

The company has assembled detailed information on all communities served and on all available industrial buildings and major industrial sites in its territory. This information is compiled in the form of reports on each community, building or site and is made available to industrial prospects considering the territory for a new plant. The community and site reports are reviewed annually and the building data monthly to insure accuracy of information. These reports also are made available to the communities concerned and to other development agencies such as railroads, chambers of commerce and state government.

A comprehensive aerial survey of all industrial sites in the company's territory is now being completed. These surveys are converted into photomaps which are furnished to industrial prospects considering any particular sites.

4. Industrial Prospect Contact And Sales Work

Many industrial prospects are developed through the company's own advertising program, both publication and direct mail, and through personal contacts. Other prospects originate in state agencies, chambers of commerce and similar groups.

The company follows up all industrial prospect leads with an intensive selling campaign using telephone, letter and personal contacts. Assistance in this work is provided by the A. G. & E. area development department in New York.

Community Improvement Program

Appalachian has assisted local chambers of commerce and the Virginia Agricultural Extension Service in establishing an annual community

improvement program in its territory. The object is to work together in growing a higher standard of living and better life.

The program is in progress in the two areas. At present it is judged on their progress in life. Prizes are awarded between the Roanoke and

The community organization, of farming or other home management,

VIRGINIA

AREA

Company and Territory

The Virginia Electric and Power Company, northeast of West Virginia. The company industry and agriculture and Richmond—lie within the company served by VEPCO's general office in Charlottesville, Norfolk, and Carolina.

Area Development Objectives

The overall objective is to improve the economic balance the industrial, program covering industry, agriculture and natural resources and

Area Development Organization

The Area Development department first organized as the department operated was enlarged and the

The department is now the Area Development, with The department is doing research. These sections are development and the Director

The Area Development general Office in Richmond is promoting and coordinating the company with similar governmental. The company is the District and all other Area Development Projects

EXHIBIT 18 (continued)

improvement program in the Roanoke and Bristol sections of its Virginia territory. The objective of the program is to encourage rural families to work together in groups to solve community problems, improve the rural standard of living and develop better farming methods.

The program is in the form of a contest between rural communities in the two areas. At the conclusion of the contest the communities are judged on their progress in a number of different aspects of community life. Prizes are awarded in each area and a run-off contest is staged between the Roanoke and Bristol area winners.

The community improvement program covers such factors as community organization, planning and development; developing a sound system of farming or other industries; and the development of a sound system of home management, home improvement and family living.

VIRGINIA ELECTRIC AND POWER COMPANY AREA DEVELOPMENT DEPARTMENT

Company and Territory

The Virginia Electric and Power Company serves the major portion of Virginia, northeastern North Carolina and portions of five counties in West Virginia. The economy of this area is diversified, strong both in industry and agriculture. The two largest cities in Virginia—Norfolk and Richmond—lie within VEPCO's service area. As of August 1, 1956, the company served more than 676,000 electric and 87,000 gas customers. VEPCO's general office is in Richmond, with division offices in Alexandria, Charlottesville, Norfolk and Richmond, Virginia; and Williamston, North Carolina.

Area Development Objectives

The overall objective of VEPCO's area development program is to improve the economic base of its operating area. The program seeks to balance the industrial, agricultural and commercial economy. It is a broad program covering industrial development, community and civic improvement, agricultural development, the conservation and development of natural resources and the promotion of travel and recreation.

Area Development Organization

The Area Development Department dates back to 1946 when it was first organized as the Industrial Development Department. At first, this department operated with a staff of two. Later, in 1953, the department was enlarged and the name changed to the Area Development Department.

The department today has a staff of eight, headed by the Director of Area Development, who reports directly to a company Vice President. The department is divided into two principal sections: industrial and research. These sections are headed by the Director of Industrial Development and the Director of Research.

The Area Development Department, with headquarters in the General Office in Richmond, has the system-wide responsibility of directing, promoting and coordinating all economic development activities of the company with similar activities of other agencies—both private and governmental. The cooperation and assistance of company personnel at the District and all other levels are vital to the success of the company's Area Development Program.

*Area Development Methods**1. Area Development Advertising*

For several years VEPCO has had an Area Development advertising program to attract new industries, featuring the company's area through the use of national media.

Some of the national media in which VEPCO's Area Development advertising has appeared in 1956 are: *U. S. News & World Report*, *Fortune*, *Business Week*, *Chemical Week*, *Wall Street Journal*, *Journal of Commerce*, *Industrial Development*, *Steel*, and *Electronics*.

VEPCO's 1956 advertising program in Virginia is part of a coordinated effort in cooperation with various State and private agencies. Each agency's advertisement is scheduled so as to be most effective, through coordinating the various ads as to time and publications. Also an eye-catching and distinctive symbol in all ads increases the effectiveness of the program.

In 1956, VEPCO for the first time has used direct mail advertising. Promotional booklets concerning specific areas served by the company, and tying in with the ads in national publications, have been mailed to a selected list of industries, engineers and locators. Copies of these booklets are made available to local groups, such as chambers of commerce, industrial development corporations and others to assist them in promoting their respective areas.

The company's Area Development advertising program is in addition to other advertising appearing in local newspapers and elsewhere.

2. Assistance to Community Development Groups

VEPCO cooperates in every possible way with State and civic groups, planning commissions, chambers of commerce, railroads and other agencies interested in the economic development of the area. The company participates through memberships and otherwise in the activities of organizations such as state and local chambers of commerce, state Manufacturers' Associations, the Virginia Travel Council, the Virginia "Plant More Trees" Committee, the Advisory Council on the Virginia Economy and other similar organizations and committees.

Members of the department are regularly called upon to talk before various civic organizations and other groups on the different phases of Area Development. Also an important service rendered to community groups by VEPCO is the development of detailed industrial site surveys for individual communities.

The company's agricultural engineers and other personnel also work with state and county agencies, farm and other organizations as a part of its agricultural development program.

3. Development Surveys and Research

Complete economic studies and industrial site surveys of many communities and counties in VEPCO territory have been prepared by the Research Section. A survey is made upon the request of an organized group which is interested in the industrial development of a community or area. The Company does the actual field work with the active cooperation of the various agencies interested, and prepares a report. An industrial

site survey contains industrial sites in an area. Representatives of the sites listed. Each showing its location, and utilities. The overall definite interest is shown the area surveyed is a municipal facilities, conditions.

When the department the company took the requested additional and revised, and other surveys are periodical

The surveys are for specific prospects development groups, and other agencies in covered by the survey

4. Industrial Prospects

VEPCO develops personal contacts and suitable plant location industry's headquarters with local development their prospects.

Community and Civic

VEPCO encourages planning. Area Development by meeting with civic commerce, helping to change and being helpful in other

Conservation and Development

The company realizes natural resources in order to grow and prosper.

The further industrial dependent on water, in support are given the in the use and pollution tion and minerals.

Agricultural Development

Company agricultural and district personnel programs for the better Vocational-Agricultural farmers in demonstration

EXHIBIT 18 (Continued)

site survey contains an orderly listing of representative, potential industrial sites in an area, accompanied by considerable economic data. Representatives of the department make an actual on-the-spot check of the sites listed. Each site description includes a sketch of the property showing its location, size, zoning, topography, available transportation and utilities. The owners of the listed sites are not approached until definite interest is shown by a prospect or buyer. Other information for the area surveyed is also added to the study, including population trends, municipal facilities, labor supply, natural resources and general living conditions.

When the department was organized, few sites were available, and the company took the initiative in this work. Later, community groups requested additional surveys. To date, 70 surveys have been completed and revised, and others have been requested and are scheduled. The surveys are periodically reviewed and revised to fit changing conditions.

The surveys are not used as a mailing piece, but as a ready reference for specific prospects interested in the area. They are available to local development groups, state agencies, railroad development departments and other agencies interested in the economic development of the areas covered by the surveys.

4. Industrial Prospects

VEPCO develops industrial inquiries through its advertising program, personal contacts and other sources. Preliminary studies and reports on suitable plant locations are followed by personal calls at the prospective industry's headquarters. The promotional program includes full cooperation with local development groups, assisting them, when requested, with their prospects.

Community and Civic Development

VEPCO encourages and supports community improvements and planning. Area Development Department personnel assist local groups by meeting with civic clubs, planning commissions, and chambers of commerce, helping to chart a course of action, making industrial site surveys and being helpful in other ways.

Conservation and Development of Natural Resources

The company realizes that the wise use and proper development of the natural resources in its operating area are vital if the area is to continue to grow and prosper.

The further industrial and agricultural growth of the area is greatly dependent on water, in great quantity and good quality. Cooperation and support are given the programs of organizations and agencies concerned in the use and pollution of water, as well as in soil conservation, reforestation and minerals.

Agricultural Development

Company agricultural engineers, home economists and other system and district personnel cooperate with state and county agencies, and their programs for the betterment of agriculture. Assistance is given the Vocational-Agriculture teachers, farm youth club members and individual farmers in demonstrating how electricity can be used to best advantage.

3. Development

A research project study of the rural area improving the economic inflow and outgo of income. The study is Rural Sales Department area.

4. Industrial Pr

Since the company contacts are coordinating the Ohio Valley Board Contacts are made to and through other sources jointly by the Vice President Commercial and Industrial

The company has been seeking new plant locations and engineers to survey

5. Agricultural

The company has been operating in its territory. Living" which is an important factor among farmers. The company is one of the other agencies in the

126

EXHIBIT 18 (Continued)

organization, the Wheeling Area Development Conference, was formed to serve as a coordinating and planning group for the various civic organizations in the area. The Wheeling Electric Company has provided leadership and support for these various community organizations through the years.

3. *Development Surveys and Research*

A research project recently initiated by the company involves a detailed study of the rural area of Marshall County, W. Va., with the objective of improving the economy of the entire county. The study will cover the inflow and outgo of commodities in the county and farming methods and income. The study is expected to provide guidance for the company's new Rural Sales Department in setting up rural development programs in the area.

4. *Industrial Prospect Contact and Sales Work*

Since the company's territory is very compact, industrial prospect contacts are coordinated very closely with community organizations like the Ohio Valley Board of Trade and the Ohio Valley Industrial Corporation. Contacts are made through the company's national advertising program and through other sources. Actual industrial prospect sales work is handled jointly by the Vice President and General Manager and the Manager of the Commercial and Industrial Sales Department.

The company has provided many special services to manufacturers seeking new plant locations. An example is the use of company surveyors and engineers to survey potential plant sites.

5. *Agricultural Development*

The company has sponsored various programs to promote better farming in its territory. One of the chief activities is "Farming For Better Living" which is an incentive type program involving an annual contest among farmers. The company also cooperates with governmental and other agencies in the rural field on both adult and youth education programs

EXHIBIT 19

How Du Pont Picks 'Em¹

In order to place all site data on a comparable basis, The E. I. Du Pont Company has adopted a standard form for entering pertinent information on proposed locations. Here is the outline of data required for each suggested site:

1. Sites

- A. Show location on maps.
- B. Site Data (a) Ownership, price, etc.
(b) Area

2. Location

- A. State, province, county, etc.
- B. Distance to river, stream, lake, ocean, etc.
- C. Distance and direction from surrounding towns and cities of 1,000 population or over

3. Maps

- A. Property map, contour map, aerial photograph, road map

4. Transportation

A. Railroads

- (a) Name of railroad which will serve the site. Length and approximate cost of siding to edge of site.
- (b) Names of railroads serving the area.
- (c) Number of freight trains in and out per day from freight dispatching point.
- (d) Number of passenger trains in and out per day from nearest town or city.
- (e) Is site within reciprocal switching limits?
- (f) Does site have free pickup and delivery service?

B. Busses, Trolleys and Interurban Railways

- (a) Name of corporations owning and operating systems.
- (b) Type and kind of system and service.
- (c) Cities and adjacent towns served.
- (d) Is there transportation past the site?

C. Navigable Waters

- (a) Names of each and distance from site.
- (b) Draft of boats accommodated and who maintains the channel.
- (c) Names of companies and kind of service rendered.
- (d) Territories served.

¹ Material in this Exhibit taken from "How DuPont Picks 'Em", *Industrial Development*, March-April 1954; pp 8-14.

D. High
(a)

(b)
(c)
(d)

E. Airp
(a)
(b)

5. Water

A. List
B. Prob
size o
C. Minir
D. Temp

6. Fuel

A. Coal-
B. Oil-
C. Gas-

7. Waste Dispo

A. Deper
waste
B. Locat
lakes,

8. Regulating C

A. Sanit
B. Build
C. Fume

9. Ordinances an

A. Zonin
B. Civil

10. Population

A. In tov
B. Total
C. Perce

11. Labor

A. Indus
B. Wage

EXHIBIT 19 (Continued)

D. Highways and Bus Systems

- (a) Type of highways and relation to site. Show on maps and photographs.
- (b) Is there bus or trolley service?
- (c) Surrounding towns and cities served.
- (d) Is there service past the site?

E. Airport

- (a) Location and distance from site.
- (b) Location of nearest established flight lane.

5. Water

- A. List of sources.
- B. Probability of obtaining well water, quantity per minute, size of well, depth, etc.
- C. Minimum recorded flow of river or stream.
- D. Temperatures—maximum.

6. Fuel

- A. Coal—sources, kinds, freight rates.
- B. Oil—sources, freight rates.
- C. Gas—sources, location of supply line.

7. Waste Disposal

- A. Dependency of towns—below for water supply; above for waste disposal.
- B. Location of city or other important intakes from streams, lakes, etc.

8. Regulating Codes—Local and State

- A. Sanitary
- B. Building
- C. Fume and dust

9. Ordinances and Regulations

- A. Zoning
- B. Civil aeronautics regulations

10. Population

- A. In towns and cities of over 1,000 within a 25-mile radius.
- B. Total within a 25-mile radius.
- C. Percentage of industrial workers.

11. Labor

- A. Industrial wage rates—male and female.
- B. Wage rates in building trades

EXHIBIT 19 (Continued)

- C. Employment situation—supply, according to latest USES report, within a 25-mile radius.
- D. Records of strikes, discontent, radical agitations, etc.

12. Living Conditions

- A. Number of hotels (size), banks, hospitals, schools, churches, and parks.
- B. Recreational facilities.
- C. Type of government, general aggressiveness, etc.
- D. Housing situation
 - (a) Type and number of houses available, building activities, etc.

13. Industries and Products

- A. List of principal industries with products and number employees.

STATEWID

We do not include Development Authority appropriated by the depressed areas, no Commission which by bond issues.

Statewide industry in all the New England. In each of these eight but growth of the local the establishment of corporation was the D. 1949. Vermont has getting underway in 1953, is the largest of which were large necessary funds to sale of stock and sale apparently without

The material in November 1955 report has been studying the new report on Development to use later statistics to the establishment in Virginia. A is presented as a summary

What

Invariably, the powers to provide vote on commercial bank term credit and capital enterprises) whose to the community, but subscriptions, any interests that stand the area and by publishing a program to

Associated with not as shareholders private financial in Corporation. Monopooled funds advanced of course, the capital. The maximum aggregate subsequently is several

Although according

EXHIBIT 20

STATEWIDE INDUSTRIAL DEVELOPMENT CREDIT CORPORATION

We do not include here a discussion of the Pennsylvania Industrial Development Authority, now administering a \$5,000,000 revolving fund appropriated by the state government to encourage industrial growth in depressed areas, nor does our summary apply to the Arkansas Industrial Commission which permits local development corporations to be financed by bond issues.

Statewide industrial development credit corporations are now operating in all the New England States and in New York and North Carolina. In each of these eight states they have been preceded by local corporations, but growth of the local corporations seems to have been accelerated after the establishment of the statewide organization. The first statewide corporation was the Development Credit Corporation of Maine, organized in 1949. Vermont has the most recent New England Corporation, effectively getting underway in 1956, while the Massachusetts corporation, organized in 1953, is the largest. Both the New York and North Carolina corporations which were launched in 1956 have been most successful in raising the necessary funds to begin operation. In one other state, Wisconsin, the sale of stock and solicitation of financial institutions is going forward, apparently without much success.

The material in this section that follows is largely taken from a November 1955 report of the American Bankers Association which has been studying the needs of small business for more than a decade. Their report on *Development Credit Corporations* has been modified somewhat to use later statistics and to emphasize those points that could be relevant to the establishment of a statewide industrial development credit corporation in Virginia. A more detailed statement on existing state corporations is presented as a supplement to this report.

What Is A Development Credit Corporation?

Invariably, the institution is an autonomous corporate unit, with powers to provide venture "capital" loans without the restrictions imposed on commercial banks. The Corporation is accordingly able to extend long-term credit and capital to businessmen (especially those operating small enterprises) whose prospects assure repayment in an enterprise of value to the community, but who can not qualify for a bank loan. Through stock subscriptions, any risks of the Corporation itself are assumed by business interests that stand to benefit from industrial and commercial growth of the area and by public-spirited men who are willing to share in underwriting a program to improve the state's economy.

Associated with the Corporation through certain commitments, but not as shareholders due to legal restrictions, commercial banks and other private financial institutions, designated as members lend money to the Corporation. Money available for lending accordingly represents the pooled funds advanced as loans to the Corporation by such members, plus, of course, the capital stock which serves as a cushion for possible losses. The maximum aggregate funds which would be available for loans consequently is several times the amount of the capital stock.

Although accomplishing a pooling of credit, the Corporation avoids

EXHIBIT 20 (Continued)

the weakness of an ordinary credit pool. It does not require the cumbersome procedure of agreement by each of a number of participating institutions. The administration of credit transactions is the responsibility of the Corporation's staff, not of the individual bank members of the Corporation.

Because of this assignment of responsibility, banking regulations do not restrict the corporation's activities; nor do these regulations prevent a bank from assuming its important role of lending money to the corporation and participating jointly in its overall administration.

Development Credit Corporations are not subject to regulations and restrictions imposed on commercial banking. In the eight states, nevertheless, they are subject to regulating authorities that would be similar to Virginia's State Corporation Commission.

Through special legislation and corporation charters, Development Credit Corporations have been given broad powers as well as specific authority enabling them to accomplish the stated purpose of attracting new industry and fostering industrial prosperity and growth by making available to industry funds raised by the Corporation.

Significantly, existing corporations usually are authorized to lend funds only if such is not available from conventional private sources. Also common is the specific authority to buy real estate for lease, resale or other disposal; and to acquire stocks or bonds or other evidences of ownership.

In some cases provisions have been made which would give specific authority to promote the establishment of local development corporations to assist clients through research and counsel, to act as surety for others, and to mortgage, pledge or otherwise encumber property acquired.

Procedures In Setting Up A Development Credit Corporation

I. *Promoting the Ideas:* Before a Corporation is launched, support must be obtained from (a) banks and other financial institutions to serve as members, (b) industrial and commercial organizations and individual business men who will subscribe for capital stock, and (c) legislators and public officials. Understanding on the part of the public may be added as an important objective.

Practically every element in the economy of most areas is keenly aware of the benefits of increased business activity and of new industrial and commercial developments. Promotion of the Development Credit Corporation calls for leadership to bring about the proper emphasis on financing. It requires painstaking work to show how the Corporation can fit into the existing structure of financial institutions and industrial development agencies. More specifically, the institution must be "sold" to the three elements whose support is necessary to its successful launching.

The important part played by bankers in launching corporations thus far started, suggests a role of leadership for bankers in other areas.

II. *Meeting Legal Requirements:* This step involves the setting up of a Corporation, an action which must be taken with full cognizance of the laws of the particular state. In most states it appears that a Development Credit Corporation can be chartered without special legislation. Despite this fact, most existing Corporations have come into being under special legislation. The Maine Corporation, which started operations in 1950 as the first of the eight existing state institutions of this type, set a desirable pattern by obtaining its charter through special legislation accompanied

by an Act which m
for state-chartered b
ing and loan associ
chusetts permits fin
loan limit (set by ch
would have to be pa
tion legal investment
of the special legisla
through committee

III. *Determining*

Capital Stock:
ficient funds to unc
trolling ratio of bor
volume of loans for v
determine the amount

Maine, pioneer
capital stock of \$50,
in 1955 was \$71,200,
stock of the corporat

The Massachus
capital of 4,000,000
69,380 shares for pr
and sales to produc
attention by new cor

Requirements o
the corporation can

FINANCIAL ST

Maine
New Hampshire
Vermont
Massachusetts
Connecticut
Rhode Island
New York
North Carolina

* Not specified

Regardless of le
it starts operating,
funds necessary to ta
ber and size of loans
then proceed to cover

EXHIBIT 20 (Continued)

by an Act which made obligations of the Corporation legal investments for state-chartered banks and trust companies, mutual savings banks, building and loan associations and insurance companies. The State of Massachusetts permits financial members to subscribe up to one-tenth of their loan limit (set by charter formula) in shares of stock. Special legislation would have to be passed in Virginia to make obligations of such a corporation legal investment for state chartered financial institutions. Advantages of the special legislation include the wide publicity of the program attained through committee hearings and legislative debate.

III. *Determining the Financial Structure and Financing.*

Capital Stock: Proceeds from sale of capital stock must provide sufficient funds to underwrite the corporation as an enterprise. The controlling ratio of borrowings to capital combined with an estimate of the volume of loans for which provision ultimately should be made, accordingly determine the amount of stock that should be authorized.

Maine, pioneering in the field in 1949, started with an authorized capital stock of \$50,000 and then later had this limit raised. Paid-up capital in 1955 was \$71,200, which, incidentally, was the smallest amount of capital stock of the corporations then functioning.

The Massachusetts Corporation started in 1953 with an authorized capital of 4,000,000 shares. As of February 28, 1955, it had issued only 69,380 shares for proceeds of \$693,380. This plan of high authorization and sales to produce funds as needed undoubtedly will be given careful attention by new corporations as they are formed.

Requirements of the amount of capital that must be paid in before the corporation can do business vary, as the following table shows.

FINANCIAL STATISTICS, STATE DEVELOPMENT CREDIT CORPORATIONS

	Capital stock authorized	Proportion of capital stock to be paid in before operation	Ratio of loan limit to capital stock
Maine	\$ 150,000	25%	10-1
New Hampshire	100,000	25%	12-1
Vermont	250,000	10%	8-1
Massachusetts	4,000,000	*	8-1
Connecticut	500,000	10%	10-1
Rhode Island	200,000	100%	8-1
New York	2,000,000	5%	10-1
North Carolina	1,000,000	10%	10-1

* Not specified

Regardless of legal requirements, sound judgment dictates that before it starts operating, the Corporation should obtain at least the minimum funds necessary to take care of its early needs as estimated from the number and size of loans expected. The campaign for stock subscriptions can then proceed to cover this minimum, and perhaps more.

EXHIBIT 20 (Continued)

Sales of stock are made by appealing to the public interest of individuals and organizations, and on the basis of direct benefits participants will obtain from the commercial and industrial growth to be accomplished by the Corporation.

It is made clear that dividend and return of investment, while possible, are not to be anticipated. The charters of most of the New England Corporations provide for the creation of specified reserves out of earnings before dividends are declared.

The effectiveness of this appeal and the response to it have been demonstrated by actual subscriptions to stock in existing Corporations. In Massachusetts, for example, the required funds were obtained from 213 subscribers, including 42 individuals and 171 businessmen. The latter represent 67 manufacturers, 33 utilities, and smaller representations from transportation, retailers, stock brokers, contractors, organized sports, investment, management, real estate, chamber of commerce, etc., insurance, wholesalers, hotels and other businesses.

Significantly, as yet, no state has resorted to a broad, public campaign for stock subscription. Rather, solicitation has been limited, with the result that the number of stockholders is not impressively large.

In some instances subscriptions are obtained by individual members of the sponsoring group. Rhode Island used brokerage houses to solicit stock subscriptions. Bankers assumed responsibility for obtaining stock subscriptions in New Hampshire.

Loans from Members: Financing through loans is provided in the plan for members comprised of financial institutions. Each of these member institutions commits itself to lend to the Corporation a certain percentage of the member's capital and surplus accounts, or other comparable measure, as defined in the Corporation charter.

Appearing in the list of member financial institutions in the various states are national banks, state-chartered banks, trust companies, savings banks, cooperative banks, stock insurance companies, mutual insurance companies and fire insurance companies. Connecticut rules out savings banks and cooperative banks as ineligible. In New England's five oldest corporations, commercial banks and trust companies represent approximately 70%, and savings banks represent about 30%, of the institutional members.

Maine, New Hampshire, Rhode Island and Vermont limit the members' commitments to $2\frac{1}{2}\%$ of capital accounts for all institutions, New York to 2% for all institutions. Massachusetts' rate is 2% for national banks, state-chartered banks and trust companies, $1/10$ of 1% for fire insurance companies, and 1% for other institutions.

The relating of commitments to a percentage of an institution's capital accounts calls for definitions applicable to the several types of institutions. Thus, Massachusetts defines "capital account" as being *capital and surplus* for commercial banks and trust companies; *guaranty funds and surplus* for cooperative banks and savings and loan associations; *capital and unassigned surplus* for stock insurance companies; *unassigned surplus* for mutual insurance companies; and *assets* for fire insurance companies.

Calls upon these commitments, made so as to equalize the percentage of each institution's total commitment in use, are at the discretion of the Corporation.

Interest rates on advances made by members to the corporations in Connecticut and Rhode Island are at the prime rate. In Massachusetts the

rate is $1/4$ of 1% above New Hampshire, the

There necessarily draw. The New England notice.

IV. Setting up

Board: Govern majority (ranging elected by the members funds, and the reasoning that contr the stockholders, sup

A fairly large number of board me

In general, boar include Rhode Island v committee, and Mai \$5,000 and can go up the committee can v next board meeting.

Officers: The treasurer and assista

Committees: In loan committee, unle mittee as a suppleme of 12 advisory comm the state. As a con people who serve wit

Staff: Those ex staff members be pro operation, has a stat part-time staff mem donate their services

V. Deciding on

Basic is the de Corporation's funds Bank of Boston sho Corporations (Verm

	Purpose
Working ca	
Purchase o	
Constructi	
Refinancing	
New produ	
Purchase o	
Aid Indust	
Total	

EXHIBIT 20 (Continued)

rate is $\frac{1}{4}$ of 1% above the prime rate in the Boston market. In Maine and New Hampshire, the rate is fixed at 2%.

There necessarily is some limitation on permission of members to withdraw. The New England Corporations, for example, require five years' notice.

IV. *Setting up the Organization and Providing for Administration:*

Board: Government of the Corporation is by a board. Invariably, the majority (ranging from simple majority to two-thirds) of the board is elected by the member financial institutions, who supply the bulk of the funds, and the remainder is elected by the stockholders. This follows the reasoning that control should rest with members because they, rather than the stockholders, supply the major portion of financing.

A fairly large board affords the benefits of wide participation. The number of board members runs from 9 to 25.

In general, boards have not delegated their powers. Exceptions include Rhode Island where full board powers are delegated to the executive committee, and Maine where the loan committee can make loans up to \$5,000 and can go up to \$10,000 by circularization of the board. In all cases the committee can work out loans, but action is subject to reviews at the next board meeting.

Officers: The usual corporate officers—president, vice-president, treasurer and assistant treasurer suffice for the Corporation.

Committees: In addition to an executive committee there is needed a loan committee, unless credit evaluation is assigned to the executive committee as a supplement to its credit committee. Maine makes extensive use of 12 advisory committees, with members strategically located throughout the state. As a consequence, the Corporation has the help of around 300 people who serve without compensation.

Staff: Those experienced in existing corporations recommend that paid staff members be provided as soon as possible. Massachusetts, with a large operation, has a staff of five, Maine has two, and New Hampshire has two part-time staff members. Board members and officers as well normally donate their services to the Corporation.

V. *Deciding on Purposes of Loans and Establishing Credit Policies:*

Basic is the determination of policy as to purposes for which the Corporation's funds are to be loaned. A 1954 study by the Federal Reserve Bank of Boston showed that loans made by the five oldest New England Corporations (Vermont not covered) were distributed as follows:

Purpose	% of Total Loans
Working capital	45.1%
Purchase of equipment	18.3
Construction of buildings	15.4
Refinancing	12.5
New product development	3.8
Purchase of real estate	2.0
Aid Industrial Foundation	2.9
Total loans by Corporation	100.0%

EXHIBIT 20 (Continued)

Whether loans are to be restricted to small businesses, and the emphasis placed on helping concerns already in the state, and on efforts to bring in outside firms, represent additional questions of policy. In the six years ending June 30, 1956 the New England Corporations had given assistance to 14 entirely new businesses; 166 in-state industries; and 24 incoming industries.

Also in the realm of policy is the question of the degree of risk the Corporation is willing to take in the interest of encouraging industrial and commercial growth. The guiding policy must then be supported by the required credit policies.

VI. *Setting Up Operating Procedures:* Loans reach the Corporation from banks and other financial institutions, various agencies interested in industrial development, and direct from applicants. On applications not referred to banks or other lending institutions, a staff member of the Corporation (preferably a full-time paid employee) assembles the necessary data, obtains credit reports, inspects the existing plant, reviews plans for expansions or new buildings, examines books and records, appraises operating expenses and use of working capital, and makes any possible analyses of costs, markets or other factors to facilitate an appraisal of the firm's future. A common arrangement is that of utilizing groups of local advisors made up of bankers and businessmen who supply first-hand information on the applicant and his business. The assembled file then goes to a credit committee which reviews the material and negotiates with the applicant on the amount, terms of payment, security, etc. The committee then submits its recommendation to the full board of directors for final action.

Loans may be serviced either by the Corporation directly or by the borrower's bank of account, which need not be a member.

Interest charges generally are 6% per annum. A service charge of 1% is made by three Corporations.

Appraisal Of Operation

An evaluation of the experience of existing corporations can hardly leave a conclusion other than that they have been successfully launched and operated effectively to better the position of their respective state economies, at the same time creating an atmosphere friendly to banking.

This appears in the record of the five oldest New England corporations. As of June 30, 1955, 698 stockholders had paid in \$1,181,485 for capital stock, and 297 institutional members had pledged \$15,435,000 to the corporations. They had reviewed over \$25 million in loan applications, and approved loans of more than \$9.6 million, on which they disbursed more than \$6 million. Losses to mid-1955 had been only \$8,346. Total balances of delinquent loans on June 30 amounted to \$76,055, and the delinquent portion of those balances amounted to \$8,429.

Experience is reassuring on the possibility of operating without diminishing the corporation's capital. Maine's corporation has operated in the black since its first two years of operation. Its profit for 1955 reached \$10,000.

A report from these five New England corporations for the first six months of 1956 again shows them as being firmly established in the New

England economy. Total 1956 amounted to \$2. The number of stockholders and financial institutions v

The first operating Corporation was issued loans ranging from \$1 total amounting to \$ institution members. 318 inquiries received and were discouraged

A list of industries of the New England Most of them are of the manufacturers of plywood, working, plastics, toys, electronic devices; a few of these industries is would fit into the pattern

es, and the emphasis on efforts to bring in y. In the six years had given assistance es; and 24 incoming

e degree of risk the aging industrial and be supported by the

ach the Corporation agencies interested in On applications not staff member of the assembles the neces- plant, reviews plans d records, appraises makes any possible an appraisal of the zing groups of local supply first-hand in- imbled file then goes negotiates with the etc. The committee directors for final

a directly or by the er.

A service charge of

erations can hardly sfully launched and ive state economies, kking.

England corpora- l in \$1,181,485 for l \$15,435,000 to the loan applications, ich they disbursed nly \$8,346. Total 055, and the delin-

ing without dimin- as operated in the for 1955 reached

as for the first six lished in the New

EXHIBIT 20 (Continued)

England economy. Total loans disbursed from January 1 through June 30, 1956 amounted to \$2.7 million. Twenty eight firms received financial aid. The number of stockholders increased from 698 to 744, and three member financial institutions were added to the list.

The first operating statement of the New York Business Development Corporation was issued in January 1957. In a single year of operation, loans ranging from \$10,000 to \$250,000 to 16 firms had been approved, the total amounting to \$1,780,000. The corporation now has 177 financial-institution members, and 51 stockholders have paid in \$429,000. Of the 318 inquiries received, 105 did not appear eligible from preliminary study and were discouraged from filing applications for credit.

A list of industries that have been adjudged eligible for loans in some of the New England states and New York shows an interesting variety. Most of them are of the type usually classified as "small," and they include manufacturers of plywood veneer, knitted goods, ceramic tile, brick, wood-working, plastics, toys, boats, aluminum awnings, and components for electronic devices; a foundry and machine shop, and a worsted mill. Each of these industries is already represented in Virginia, and most of them would fit into the pattern of a small community.

EXHIBIT 21

INDUSTRIAL DEVELOPMENT CREDIT CORPORATIONS

Definition The development credit corporations, as evolved in the six New England States and organized in four other states outside the New England area, represent an attempt to meet the competitive industrial challenge of other regions without resorting to government subsidy. Development credit corporations are private enterprises which secure their funds from stockholders and members, chiefly the latter. The members are such financial institutions in each state as may wish to share in cooperative credit extension, through the development credit corporations, to new or existing businesses within the state or to businesses interested in coming into the state. While not in any way responsible to state economic development agencies, the credit corporations receive close cooperation from these agencies.

Legal Authority Nine of the ten legislatures actually established such corporations by their laws. The Vermont act authorized the establishment of a development credit corporation if the "convenience and advantage to the state of Vermont shall be determined by the commissioner of banking and insurance." Advantages of being backed by a special charter from the state legislature rather than a charter under the general laws of the state are that there are educational and publicity values in such a measure; that it records the support of legislature and governor; and that it legalizes participation by banks and other financial institutions.

Loan Conditions An industrial development corporation lends only after careful scrutiny of the application and after it has ascertained that no bank in the region wishes to assume the risk. Reasons for seeking funds, plant facilities, production methods, etc. are carefully evaluated. In a number of instances member banks have elected to make the loans themselves following the credit corporation's investigation of the application. Many more applications have been received than have been granted.

Status in Other States Enabling legislation has been passed in Michigan, but a statewide development credit corporation has not yet been organized. An enabling act in Florida, considered unsatisfactory by the Florida Development Commission (state agency), has been repealed. It is anticipated that another and more adequate bill will be presented to the 1957 legislature of that state. The director of the Alabama State Planning and Industrial Development Board has proposed enactment of enabling legislation for the formation of a privately-financed development credit corporation in Alabama.

Other Organizations Two state organizations set up to provide financial aid to industry but which otherwise differ widely from the industrial development credit corporations are included in this survey. These are the Arkansas Industrial Development Commission as regards its power to organize local industrial development corporations financed by bond issues; and the Pennsylvania Industrial Development Authority which is unique in being financed by an appropriation from state funds. The salient features of these agencies will be set forth at the end of the following table which presents a summary of the chief features of the several state development credit corporations.

Section I. Corporations

Maine—Development

New Hampshire—1951

Connecticut—1951

Rhode Island—1951

Massachusetts—1953

Vermont—Development

Kansas—Development

New York—New

North Carolina—olina. 1951

Wisconsin—Wisconsin

In general the consistent with the their corporate purposes conferred on

Section II. Principles

Section III. Purposes

1. Attract new
2. Foster industrial prosperity and growth
3. Cooperate with agencies, public, private, with purposes
4. Lend funds w otherwise available set terms of l
5. Buy real estate lease, resale o development
6. Raise funds w make loans an authorized pu
 - a. Borrowing members
 - b. Sale of stock
7. Promote establishment local industrial and cooperative
8. Acquire, hold corporate assets of corporate d

EXHIBT 21 (Continued)

Section I. Corporators; corporate name; general powers and privileges.

Maine—Development Credit Corporation of Maine. 1949

New Hampshire—New Hampshire Business Development Corporation. 1951

Connecticut—Connecticut Development Credit Corporation. 1953

Rhode Island—Rhode Island Development Company. 1953

Massachusetts—Massachusetts Business Development Corporation. 1953

Vermont—Development Credit Corporation. 1953

Kansas—Development Credit Corporations. 1955

New York—New York Business Development Corporation. 1955

North Carolina—Business Development Corporation of North Carolina. 1955

Wisconsin—Wisconsin Development Credit Corporation. 1955

In general the corporations have the power to make their own by-laws, consistent with the general laws of the state, elect officers needed to effect their corporate purposes, and possess the powers, privileges and immunities conferred on stock companies by the general laws of the state.

Section II. Principal Office.

Section III. Purposes and Powers

	Maine	New Hampshire	Vermont	Rhode Island	Conn.	Mass.
1. Attract new industries	x	x		x	x	x
2. Foster industrial prosperity and growth	x	x		x	x	x
3. Cooperate with other agencies, public and private, with similar purposes	x	x		x	x	x
4. Lend funds when not otherwise available and set terms of loans	x	x	x	x	x	x
5. Buy real estate for lease, resale or development	x			x	x	x
6. Raise funds with which to make loans and for other authorized purposes by:						
a. Borrowing from members	x	x		x	x	x
b. Sale of stock &/or bonds				x		
7. Promote establishment of local industrial foundations and cooperate with them		x				
8. Acquire, hold or sell corporate assets and/or evidences of corporate debt or ownership					x	x

EXHIBT 21 (Continued)

	Kansas	New York	North Carolina	Wisc.	Arkansas*	Penna.*
1. Attract new industries	x	x	x	x	x	x
2. Foster industrial prosperity and growth	x	x	x	x	x	x
3. Cooperate with other agencies, public and private, with similar purposes		x	x	x		
4. Lend funds when not otherwise available and set terms of loans	x	x	x	x	x	x
5. Buy real estate for lease, resale or development	x		x	x	x	
6. Raise funds with which to make loans and for other authorized purposes by:						
a. Borrowing from members	x	x	x	x		
b. Sale of stocks and/or bonds		x	x	x	x	
7. Promote establishment of local industrial foundations and cooperate with them			x	x	x	
8. Acquire, hold or sell corporate assets and/or evidences of corporate debt or ownership		x	x	x	x	

* Organization is not an industrial development credit corporation. See analysis at the end of this summary.

FEDERAL
BUSINES

A Cabinet Co
August, 1956 that
national economy
burden on small b
markets for capita
to expand plant,
the ability of sma
The Cabinet Com
small business. I
gested that Cong
only a minimum l
in substantial rev

Currently, th
businesses that a
partment of Com
of government-ov
and on efficient m
procurement and
other procurement
possible, a fair sh

Between the
the Small Busin
nearly 166 millio
which the SBA ad
banks advanced a
Of the 3,560 loan
2,443 were partic

In the first
made 519 loans, o
industries. More
this period were
two per cent of t
having 250 or mo
four were to man

SBA LOANS T

Name of Company

Acme Products Com
Ferguson Manufac
North Mountain Bri
Smithfield Ham & P

Arkan- sas*	Penna.*
x	x
x	x
x	x
x	
x	
x	

poration.

EXHIBIT 22

FEDERAL PROGRAM TO AID FINANCIALLY SMALL BUSINESS, PRESENT PROGRAM AND PROPOSALS

A Cabinet Committee on Small Business reported to the President in August, 1956 that the increase in federal taxation and other factors in the national economy over the past twenty-five years have placed a severe burden on small businesses because they have little or no access to public markets for capital. If they are to grow, they must have the wherewithal to expand plant, equipment, and markets; but present-day taxes restrict the ability of small enterprises to plough back profits into their businesses. The Cabinet Committee recommended measures for giving tax relief to small business. However, the President in his 1957 budget message suggested that Congress "consider" small business tax reduction involving only a minimum loss of revenue but postpone any cuts which might result in substantial revenue losses.

Currently, the Small Business Administration makes loans to sound businesses that are otherwise unable to obtain adequate credit. The Department of Commerce supplies scientific information, arranges free use of government-owned patents, gives advice on how to expand markets and on efficient methods of management, and keeps firms informed about procurement and surplus disposal plans. The Department of Defense and other procurement agencies attempt to assure small business, in so far as possible, a fair share of government contracts.

Between the date of its establishment, July 30, 1953, and June 30, 1956 the Small Business Administration approved 3,450 loans aggregating nearly 166 million dollars. The loans were of two kinds: (1) direct, in which the SBA advanced the entire amount, and (2) participating, in which banks advanced a percentage of the loan and the SBA made up the balance. Of the 3,560 loans made in the three-year period, 1,117 were direct and 2,443 were participating loans.

In the first six months of 1956 the Small Business Administration made 519 loans, of which number 105, or 20 per cent, went to manufacturing industries. More than 57 per cent of loans approved to manufacturers in this period were to companies with fewer than 20 employees. Less than two per cent of the number of loans to manufacturers were to companies having 250 or more employees. Of the 18 loans approved to Virginia firms, four were to manufacturers, as shown in the following table.

SBA LOANS TO VIRGINIA MANUFACTURERS, JAN. 1—JUNE 30, 1956

Name of Company	Location	Number Employed	Amount of Loan	Per-cent Advanced by SBA
Acme Products Company	Norfolk	n.a.	\$15,000	75
Ferguson Manufacturing Co.	Suffolk	45	75,000	90
North Mountain Brick Co.	Swoope	30	175,000	80
Smithfield Ham & Products Co.	Smithfield	50	150,000	100

EXHIBIT 22 (Continued)

Another SBA loan in Virginia, made since its most recent report, was to the Russell Manufacturing Company at Lebanon through the Little Cedar Building Corporation, Lebanon's industrial development organization. The Small Business Administration advanced \$40,000 of the \$150,000 invested in this building.

In January 1957, Senator Sparkman introduced two bills in the Senate that would favor small business. The first bill (S. 719) would establish National Investment Companies chartered by the Federal Reserve Board. In areas where there appeared to be a need, the Federal Reserve banks would be authorized by the Federal Reserve Board to set up a National Investment Company. Each company must have capital and surplus of at least \$5,000,000 set up with a view toward disposal of stock to banks and other private investors in the area. Senator Sparkman emphasized that the proposed investment companies are designed to "handle a different function" from any service now being provided by private financial institutions. "The key to their success", Senator Sparkman said, "lies in their ability to supplement, not to compete with, existing financial institutions." These national investment companies, privately owned and operated, would be empowered to make long-term loans or invest in the stock of companies requiring capital to expand their operations.

The second bill would create a small business insured loan plan whereby the Small Business Administration would guarantee up to 90 per cent of loans made to small firms by private banks.

Between the date of its establishment, July 30, 1958, and June 30, 1959, the Small Business Administration approved 8,456 loans amounting to nearly \$150 million dollars. The loans were of two kinds: (1) direct, in which the SBA advanced the entire amount, and (2) participating, in which banks advanced a percentage of the loan and the SBA made up the balance. Of the 8,456 loans made in the three-year period, 1,117 were direct and 7,339 were participating loans.

In the first six months of 1958 the Small Business Administration made 518 loans, of which number 105, or 20 per cent, went to manufacturing industries. More than 51 per cent of loans approved to manufacturers in this period were to companies with fewer than 20 employees. Less than two per cent of the number of loans to manufacturers went to companies having 250 or more employees. Of the 18 loans approved to Virginia firms, four were to manufacturers, as shown in the following table.

SBA LOANS TO VIRGINIA MANUFACTURERS, JAN. 1-JUNE 30, 1958

Name of Company	Location	Number of Employees	Amount of Loan, \$	Percent Advanced by SBA
James P. Roberts Company	Roanoke	100	210,000	75
Frederick Manufacturing Co.	Richmond	15	75,000	90
Shirley Mountain Brick Co.	Roanoke	80	175,000	90
Hamblett Bros. & Brothers Co.	Hamblett	50	150,000	100

SCHOOLS

Virginia cons gram because it p the standard of liv ing them into con pected to increase 1,300,000 persons using these people the worker and to

At present V citizens who are e unskilled and untr skilled workers in machinists, operat Virginia would par because their wage bright in this the S

What Industry Wo

Whenever an to know how man the production lin for a starting sup most concerns bri a certain number previous basic tr Very large compan years, conduct the afford to do this. labor in the comm means a longer t does the industria fering trade and Industrial Develop on availability of if labor skills are Electric Company locations on a 120 allotted to technic and provide advan

When a conce supply of skilled discovers that loca ble, it is forced to must be conceded training schools, the state's labor f

¹ From the Virgin

cent report, was
ough the Little
ment organiza-
of the \$150,000

ills in the Senate
would establish
Reserve Board.
Reserve banks
t up a National
nd surplus of at
ck to banks and
phasized that the
a different func-
cial institutions.
n their ability to
tutions." These
rated, would be
ck of companies

can plan where-
p to 90 per cent

EXHIBIT 23

SCHOOLS CAN AID INDUSTRIAL DEVELOPMENT¹

Virginia considers industrial development an important state program because it promotes a sounder economy: it provides jobs, it raises the standard of living, and it utilizes many natural resources by converting them into commercial products. Since Virginia's population is expected to increase by 33 per cent in the next twenty years, adding about 1,300,000 persons, it is imperative that plans be made now to work toward using these people in the labor force to the very best advantage, both to the worker and to the industry.

At present Virginia has an excellent labor force of native-born citizens who are eager to work in industrial plants, but most of them are unskilled and untrained in any special occupation. Especially scarce are skilled workers in the metal fabrication field—tool and die makers, machinists, operators of complex electrical and electronic machinery. Yet Virginia would particularly like to have more metal and instrument plants because their wage scales are good and because their growth prospects are bright in this the Steel Age of Industry.

What Industry Wants

Whenever an industry considers locating a new plant, it always wants to know how many skilled workers are available, how many could go on the production line without a training period. Not merely does it look for a starting supply but also for sources of trained replacements. While most concerns bring their supervisory personnel with them, they require a certain number of skilled workers or at least workers who have had previous basic training or practical experience in that particular line. Very large companies, including some that have entered Virginia in recent years, conduct their own training courses, but smaller ones cannot always afford to do this. Even the large ones would prefer to find ready-trained labor in the community, because any training period is an added cost and means a longer time before full production can be attained. So what does the industrial scout look for? A community that has a school offering trade and industrial classes. An article in the July 1957 issue of *Industrial Development* advises: "Don't pick a site until you've checked on availability of good vocational training facilities in the area of interest if labor skills are important to you." Recently an official of the General Electric Company was quoted as saying that his firm rated prospective locations on a 1200-point scale with 200 points, or one-sixth of the total, allotted to technical facilities that insure a supply of trained manpower and provide advanced training.

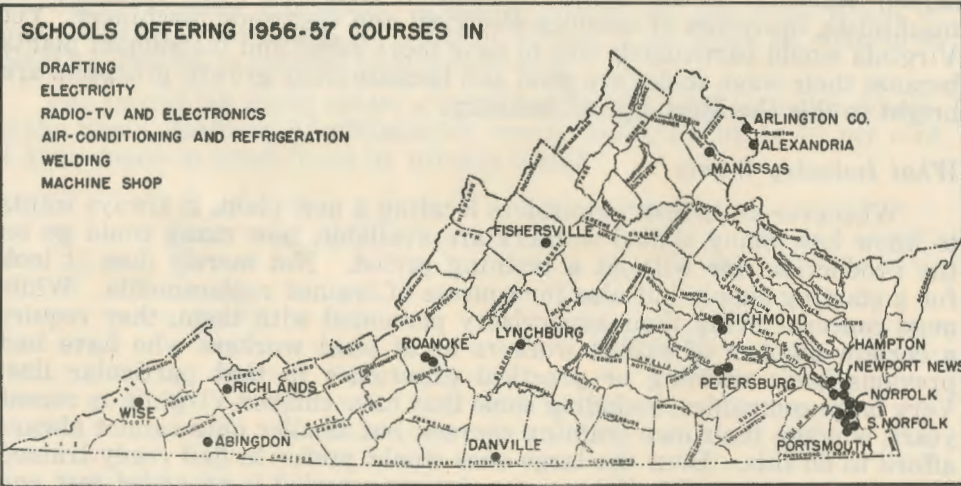
When a concern in the metal fabrication field fails to find an adequate supply of skilled labor in a Virginia community and particularly when it discovers that local facilities for training apt young people are not available, it is forced to look elsewhere. This has happened more than once. It must be conceded that while Virginia does have some very good industrial training schools, there are simply not enough of these to properly train the state's labor force.

¹ From the Virginia Economic Review, October 1957.

What Virginia Can Offer

The Division of Trade and Industrial Education of the Virginia Department of Education is working constantly to broaden the scope of such training and what has been accomplished is excellent. There are the regular *day trade classes* in high schools and there are evening *extension classes* for employed persons who wish to develop their skills. Last year 5,549 were enrolled in day trade classes in 46 schools and 10,345 in extension classes in 124 schools. Good! But training in printing, masonry, carpentry, practical nursing, cosmetology, tailoring, and plumbing does not fit a worker for the assembly line of a metal fabrication or instrument plant. Courses in drafting, machine shop, welding, electricity, electronics, maybe air-conditioning and refrigeration, would provide the best background.

In addition to the regular day and evening classes, and on request from community or industry, the Division of Trade and Industrial Ed-



ENROLLMENT IN DAY TRADE AND EXTENSION CLASSES, 1956-57
EACH DOT = 10 STUDENTS

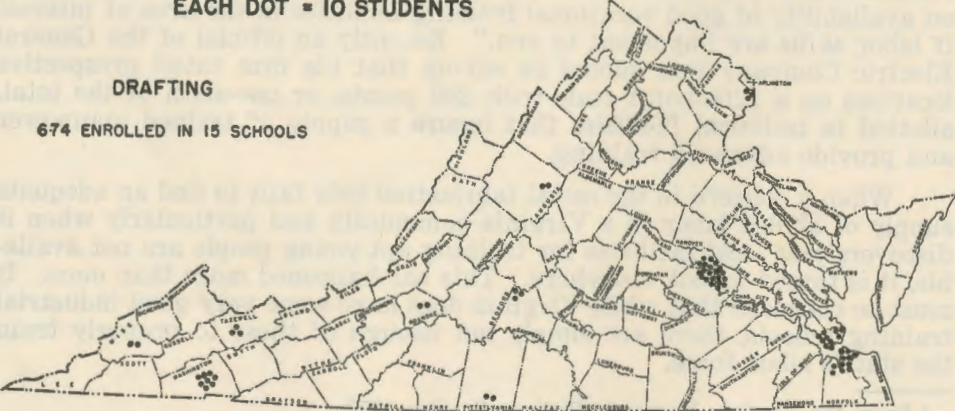
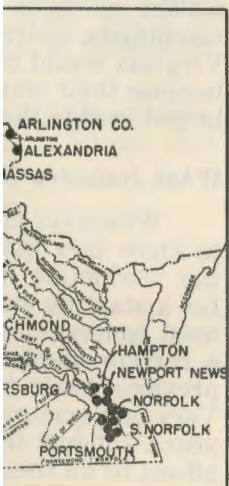


EXHIBIT 23 (Continued)

the Virginia De-
the scope of such
There are the
evening *extension*
skills. Last year
10,345 in exten-
printing, masonry,
d plumbing does
ion or instrument
ricity, electronics,
le the best back-

and on request
d Industrial Ed-

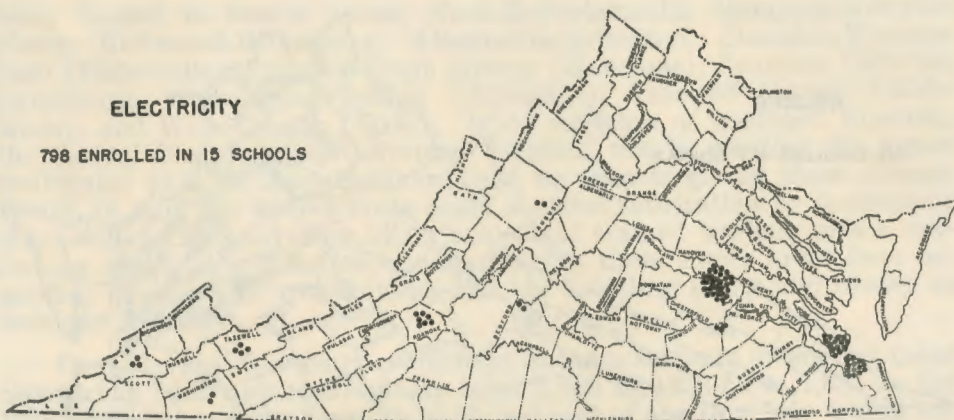


ES, 1956-57



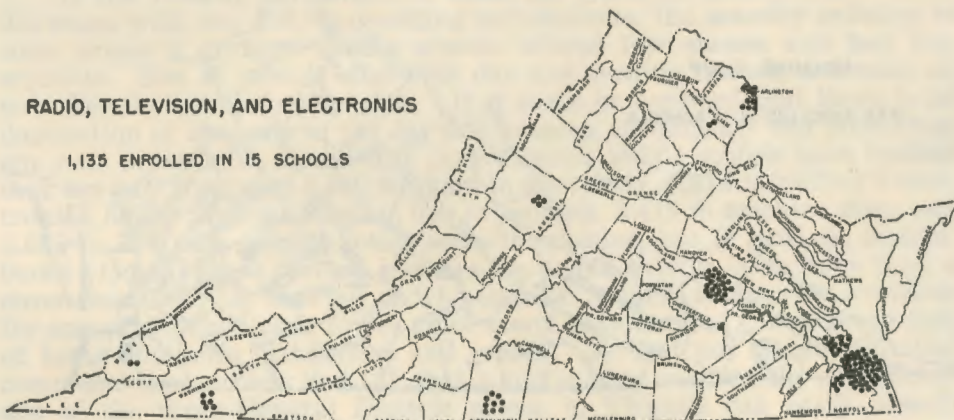
ELECTRICITY

798 ENROLLED IN 15 SCHOOLS



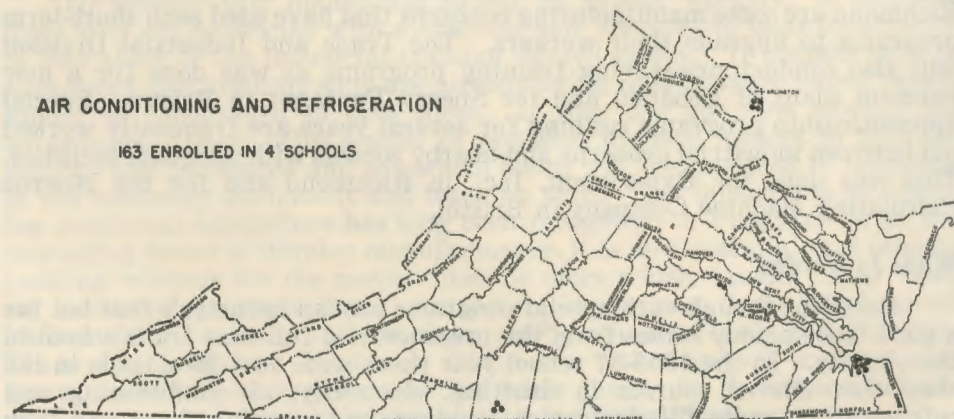
RADIO, TELEVISION, AND ELECTRONICS

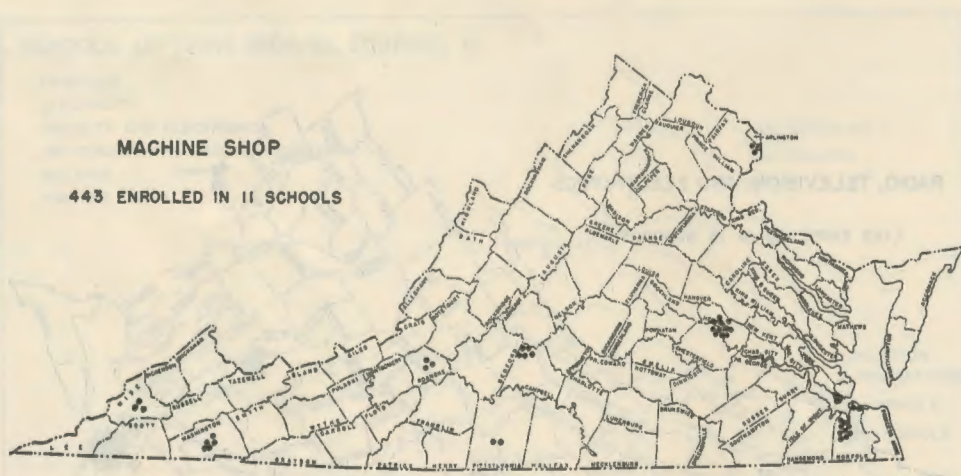
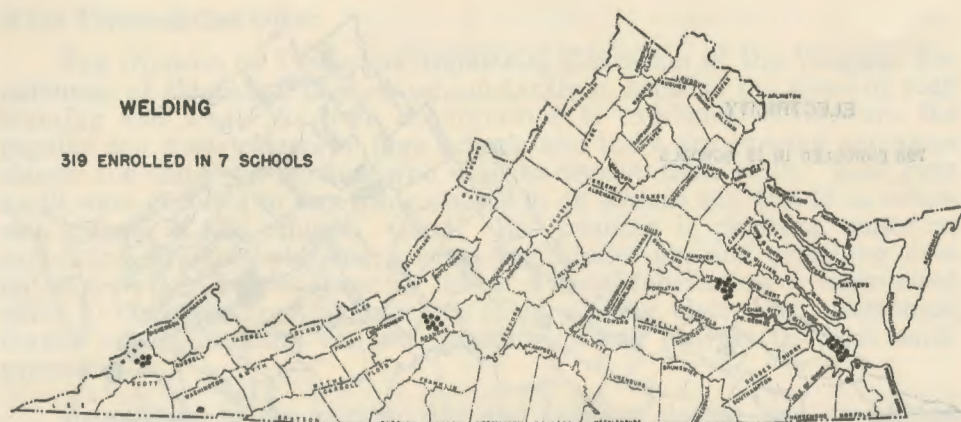
1,135 ENROLLED IN 15 SCHOOLS



AIR CONDITIONING AND REFRIGERATION

163 ENROLLED IN 4 SCHOOLS





Education arranges special training classes for foremen and supervisors, usually in ten-hour sessions. Last year 404 were enrolled in 26 such classes in seven different schools. Fieldcrest Mills at Fieldale, Titmus Optical at Petersburg, Yale & Towne at Salem, and Cardwell Machine Company at Richmond are some manufacturing concerns that have used such short-term programs to upgrade their workers. The Trade and Industrial Division will also conduct pre-serving training programs as was done for a new garment plant at Lebanon and for Sperry Farragut in Bristol. Special apprenticeship programs running for several years are frequently worked out between industrial concerns and nearby schools with adequate facilities. This was done for Experiment, Inc., in Richmond and for the Monroe Calculating Machine Company in Bristol.

What Is Needed

Excellent though such special programs are, an industry's best bet for a good labor supply comes from the presence of a full-time trade school in the vicinity. In the 1956-57 school year there were just 26 schools in the state that offered courses in drafting, electricity, air-conditioning and refrigeration, radio-TV-electronics, welding, and machine shop; and they

were located in the News, Richmond-boro (Fisherville), Lynchburg, Washington (Fishlands), and Wise the central Piedmont peninsulas and the Hence, in only the plant hope to find tinuing supply; y ganized developme seek new industry.

Over the past classes has built u 1956-57 and comp rollment. Extensi to 20 per cent of trades enrollment,

If the 1956-57 dot maps with one some areas is evi students. Not all not offer the cours duplication of stud one year to the ne over the past five y tronics, 682 in air- 2,522 in drafting. bered (1) that the dozen localities; (2 for manufacturing of home appliance completed the cour one of the three several thousand t

What To Do

To remedy th those who are con to take stock of th electronics and ma should be encoura advantages of suc demand will be cre in the necessary e ing vocational agr increasing desire t training workers i an industrial pro leaders should qui Trade and Indust grams could help can become a real

EXHIBIT 23 (Continued)

were located in twelve areas; Norfolk-Portsmouth, Hampton-Newport News, Richmond-Petersburg, Alexandria-Arlington, Staunton-Waynesboro (Fisherville), Prince William County (Manassas), Roanoke, Danville, Lynchburg, Washington County (Abingdon), Tazewell County (Richlands), and Wise County (Wise). Wide stretches of northern Virginia, the central Piedmont, southwestern Virginia, not to mention the upper peninsulas and the Eastern Shore, had no schools giving these classes. Hence, in only the twelve areas could a metal fabrication or instrument plant hope to find anything like a nucleus of trained workers plus a continuing supply; yet countless communities in these empty areas have organized development corporations and are spending effort and money to seek new industry.

Over the past five years enrollment in these subjects in the day trade classes has built up encouragingly from 1,320 in 1952-53 to 1,684 in the 1956-57 and comprises from 25 to 30 per cent of the total day trades enrollment. Extension enrollment fluctuates more and amounts to only 14 to 20 per cent of evening registrations, but it sometimes exceeds the day trades enrollment, as last year when it reached 1,848.

If the 1956-57 enrollment in these six types of classes is shown on dot maps with one dot representing ten students, the scarcity existing in some areas is evident. Some schools offered few classes and had few students. Not all schools offer both day and evening classes, and some do not offer the courses every year. If it could be assumed that there is no duplication of students in the day and evening enrollments and none from one year to the next, at the very best Virginia public schools have trained over the past five years 3,760 workers in electricity, 4,914 in radio-TV-electronics, 682 in air-conditioning, 942 in welding, 2,419 in machine shop, and 2,522 in drafting. These totals seem impressive, but it must be remembered (1) that these trained workers are found chiefly in no more than a dozen localities; (2) that not all who enrolled in these courses are available for manufacturing labor forces since many have entered the growing field of home appliance installation and repair; (3) that not all who enrolled completed the courses; and (4) that a single large concern the size of any one of the three General Electric plants in Virginia can easily absorb several thousand trained workers, leaving few for any incoming plants.

What To Do

To remedy this inadequate supply in skilled workers, it behooves those who are concerned with attracting new industry to their community to take stock of the industrial training offered locally. If courses such as electronics and machine shop are already being taught, more young people should be encouraged to take them. If they are not now offered, the advantages of such skills should be preached by local leaders so that the demand will be created and the school board will feel justified in investing in the necessary equipment and teaching staff. The importance of teaching vocational agriculture has long been recognized in Virginia. With the increasing desire to develop manufacturing, it is now essential that courses training workers for the needed lines be more widely taught. And when an industrial prospect does loom upon the horizon, local development leaders should quickly find out from public school officials and the state Trade and Industrial Education Division whether special training programs could help to provide a skilled labor force. In these ways schools can become a real asset in a community's industrial development.

EXHIBIT 24

In allocating corporate net income to itself for tax purposes, Virginia is the only state that uses a one fraction formula like this:

$$\frac{\text{Gross receipts in State} + \text{physical assets in State}}{\text{Gross receipts everywhere} + \text{physical assets everywhere}}$$

The customary practice is to make separate fractions out of the two or three factors used, add these fractions, and then divide this sum by two or three like this:

$$\frac{\text{Gross receipts in State}}{\text{Gross receipts everywhere}} + \frac{\text{physical assets in State}}{\text{physical assets everywhere}} + \frac{\text{payrolls in State}}{\text{payrolls everywhere}}$$

and divide the sum of these fractions by 3.

Virginia's formula gives a heavy weighting to the sales factor (gross receipts) because (1) only one other factor is used and (2) for most corporations sales is larger in dollar value than the property factor.

According to Controllershship Foundation, Inc., Virginia "follows the unusual practice of defining its gross receipts on the combined basis of the location of the paying party within the State and the creation of the goods within the State".

The Foundation states that "the most frequently encountered rule is that which identifies the sale with the location of the place of business of the taxpayer corporation by which or through which the sale was made".

Virginia's Corporate Income Tax Allocation Formula¹

¹ Virginia—Its Economy, Its State Fiscal System, and The Impact of Its Taxes on Industrial Development, p. 410, Report of the Fiscal Study Committee of the Advisory Council on the Virginia Economy, August, 1957.

Virginia's Tax Ra

Virginia

Average Rate for

7 States with high

Massachusetts ..
Mississippi
New York
North Carolina ..
Oregon
Pennsylvania ..
Wisconsin

5 States with sar

Arkansas
Maryland
Rhode Island ..
South Carolina ..
Vermont

19 States with lov

Alabama
Arizona
California
Colorado
Connecticut
Georgia
Idaho
Iowa
Kansas
Kentucky
Louisiana
Minnesota
Missouri
Montana
New Mexico
North Dakota ..
Oklahoma
Tennessee
Utah

¹ Ibid, p. 33.

16 States wi
Michigan, Nebras
Dakota, Texas, W

EXHIBIT 25

Virginia's Tax Rate on Corporate Income Double the 48 State Average ¹
Rates as of Sept. 1956

	Maximum Tax Rate (Percent)	Allow Deduction for Federal Income Taxes	Effective Maximum Rate Percent
Virginia	5	No	10.4
Average Rate for 48 States.....	3.2		5.2
7 States with higher rate			
Massachusetts	6.765	No	14.1
Mississippi	6	No	12.5
New York	5.5	No	11.5
North Carolina	6	No	12.5
Oregon	8	No	12.5
Pennsylvania	6	No	12.5
Wisconsin	7		13.1
5 States with same rate			
Arkansas	5	No	10.4
Maryland	5	No	10.4
Rhode Island	5	No	10.4
South Carolina	5	No	10.4
Vermont	5	No	10.4
19 States with lower rates			
Alabama	3	Yes	3
Arizona	5	Yes	5
California	4	No	8.3
Colorado	5	Yes	5
Connecticut	3.75	No	8.8
Georgia	4	No	8.3
Idaho	8	Yes	8.6
Iowa	3	Yes	3
Kansas	2	Yes	2
Kentucky	7	Yes	7.0
Louisiana	4	Yes	4
Minnesota	7.3	Yes	7.3
Missouri	2	Yes	2
Montana	3	Yes	3
New Mexico	2	Yes	2
North Dakota	6	Yes	6
Oklahoma	4	Yes	4
Tennessee	3.75	No	7.8
Utah	4	Yes	4

¹ Ibid, p. 33.

16 States without tax—Delaware, Florida, Illinois, Indiana, Maine, Michigan, Nebraska, Nevada, New Hampshire, New Jersey, Ohio, South Dakota, Texas, Washington, West Virginia, Wyoming.

EXHIBIT 26

NORTH CAROLINA'S BID FOR INDUSTRY CALLED SUCCESSFUL

New York, October 19, 1957¹

Governor Luther Hodges said Saturday companies engaged in steel fabrication, furniture, creosoting and wood working are preparing plans for possible plant locations in North Carolina.

In addition, Hodges said a large chemical company is contemplating a research facility in North Carolina, and companies engaged in electronics, forest products and textiles are planning to expand their present operations in the state.

The North Carolina governor disclosed these prospects for economic expansion in his state in a report on the week-long visit in New York of a taskforce which he headed. The party of 29 was here, as Hodges put it, to "tell the North Carolina story of economic opportunity and challenge through as many personal visits and contacts as possible".

The group made personal visits to about 250 prospects in industry, business, and food distribution fields. The Governor addressed or greeted personally more than 600 persons at five luncheons and four receptions.

¹ Richmond Times-Dispatch, October 20, 1957.

Alabama	Yes	8
Arizona	Yes	5
California	No	4
Colorado	Yes	5
Connecticut	No	3.75
Georgia	No	4
Idaho	Yes	8
Iowa	Yes	3
Kansas	Yes	3.5
Kentucky	Yes	1
Louisiana	Yes	4
Minnesota	Yes	7.5
Missouri	Yes	1
Montana	Yes	3
New Mexico	Yes	2
North Dakota	Yes	5
Oklahoma	Yes	1
Tennessee	No	3.75
Utah	Yes	1

15 States without tax—Delaware, Florida, Illinois, Indiana, Maine, Michigan, Nebraska, Nevada, New Hampshire, New Jersey, Ohio, South Dakota, Texas, Washington, West Virginia, Wyoming.



The Virginia Economic Review

Published quarterly by the Division of Industrial Development of the Virginia Department of Conservation and Economic Development, State Office Building, Richmond. Designed to serve as an informational medium on Virginia's economic problems and conditions, and to further the purposes and objectives of the Advisory Council on the Virginia Economy.

Vol. 11

JANUARY, 1959

No. 4

VIRGINIA'S ECONOMIC GROWTH COMPARED WITH SOUTHERN AND NEIGHBORING STATES, 1950 - 1957

During the past year there have been several pronouncements to the effect that the economy of Virginia is lagging in growth behind that of many southern states. Now, the record doesn't confirm this belief if we look at the whole economy for the period 1950 through 1957 (the last complete year for which data are available). Rather, it shows that compared with 15 southern and neighboring states Virginia has added more people to its population, more dollars to its personal income payments, and more employment to its labor force than have any of the others except for Maryland, Florida, and Texas.

Virginia's favorable showing is based on a broad growth in the varied sectors of its economy—in federal government activities, manufacturing, mining output, transportation, port activities, travel trade, and the servicing type industries. No other state in this region has as much diversification in its economy as does Virginia. Virginia also has experienced relatively less shrinkage in the number of farmers than has the region.

However, it is true that Virginia's growth in manufacturing, though moderate and comparing favorably with the nation's, was less than for this group of 15 states. Only 5 of the states showed smaller percentage increases than Virginia, and of these, North Carolina, South Carolina, and Alabama had their gains dampened by the national declines in textiles and lumber products—two manufacturing groups that were far more important in their respective economies than in Virginia.

The favorable growth in Virginia's economy has been accompanied by serious problems in several areas of the state. The predominantly rural areas that rely almost solely on farming are continuing to decline in population. The far southwest has been depressed throughout this period by the sharp decline in employment in coal mining resulting from the rapid mechanization of the mines. Recently Hampton Roads has felt the effects of the national policy to decentralize somewhat military concentrations.

Much of the growth of the past seven years in such activities as federal government employment, the mining, rail haul, and export of coal, shipbuilding, and tourist business at historical shrines seemed to

have been due to a great extent to international conditions, national policies, and historical events as they related to our geographic position and resources. Future economic growth may be more dependent upon factors of our own making. This would be particularly the case if federal government activities fail to expand in Virginia, for the military and the federal civilian employees account for 20 per cent of the working population of the State.

With this summary behind us Virginia's economic growth for the past seven year period, 1950-1957, will be compared in more detail with the nation's and that of the 15 southern and neighboring states. This will be done by examining changes in such broad measures of growth as population, personal income, employment, and capital investment, and afterwards by examining changes in major segments of the economy, particularly in manufacturing.

What the Broad Indices Show

The following broad indices on population, income, employment, and capital expansion reveal that Virginia's overall economic growth was about on a par with that for the nation and 15 southern and neighboring states for the seven year period, 1950-1957.

1. Population increased by 500,000 to 3,828,000. This was a 15.4 per cent increase for Virginia since 1950 and above the nation's gain of 13.0 per cent. (See Table 1 and Map 1). Of this increase 450,000 was in civilian population, the rest being in military personnel. Virginia has been able to hold its natural increase in population during this seven year period, a feat it was unable to accomplish in the half century prior to World War II. Only Florida, Maryland and Texas among southern and neighboring states experienced a higher rate of increase.

2. Personal income received by Virginians during this period increased by 57 per cent, exceeding slightly the 53 per cent averaged by the nation and equaling the 56 per cent averaged by 15 southern and neighboring states. Personal income is the best measure available for showing the combined effect of all economic activities on a state's economy. Virginia's per capita personal income in 1957 of \$1,660 was 82

TABLE 1

POPULATION AND PERSONAL INCOME FOR VIRGINIA,
THE NATION, SOUTHERN AND NEIGHBORING STATES,
1957 AND CHANGES FROM 1950 TO 1957

	1957 Estimate		Per Cent Change, 1950-1957	
	Population	Personal Income (millions of \$)	Population	Personal Income
Virginia	3,828,000	6,302	15.4	56.6
United States	170,298,000	845,272	13.0	53.1
15 Southern and Neighboring States	51,598,000	79,381	12.0	56.1
Southern and Neighboring States:				
Alabama	3,162,000	4,171	3.3	56.9
Arkansas	1,780,000	2,035	-6.8	32.2
Florida	4,209,000	7,522	51.9	107.1
Georgia	3,771,000	5,407	9.5	54.0
Kentucky	3,043,000	4,172	3.3	47.2
Louisiana	3,036,000	4,804	14.2	63.6
Maryland	2,895,000	6,242	23.6	66.2
Mississippi	2,166,000	2,093	-0.6	31.6
North Carolina	4,472,000	5,924	10.1	44.2
Oklahoma	2,257,000	3,687	1.0	46.7
South Carolina	2,368,000	2,796	11.9	49.6
Tennessee	3,443,000	4,791	4.6	45.7
Texas	9,175,000	16,364	19.0	57.7
West Virginia	1,963,000	3,071	-2.1	39.4

Sources: Population from U. S. Bureau of the Census and Personal Income from the U. S. Department of Commerce.

per cent of the United States average, just as it had been in 1950.

3. Nonagricultural employment in Virginia increased by 200,000. This gain of 25 per cent since 1950 was 50 per cent above that averaged by the nation and slightly above that averaged by all southern and neighboring states as is shown in Table 2. The nonagricultural employment estimate does not reflect the heavy movement of workers out of agriculture and domestic service and largely for this reason shows a more favorable gain for Virginia and the

South as compared with the nation than do the population and income estimates.

4. \$800,000,000 was spent in Virginia by manufacturers for new plant and new equipment during the six years 1951 through 1956. This outlay which was the highest in Virginia's history for any similar-length period came at a time when manufacturers' expenditures were running high throughout the nation. On a per capita and annual basis this expenditure amounted to \$36 for Virginia, 30 per cent below the average for the nation and 15 per cent below the average for southern and neighboring states. However, manufacturing accounts for a smaller share of the Virginia economy as compared with the economies of the states as a whole, so if new plant and new equipment expenditures had been available for mining, transportation, port facilities, electric utilities, and other segments of the economy it seems reasonable to expect that Virginia would have compared more favorably. In the October issue of *The Virginia Economic Review* it was pointed out that a state's standing on new manufacturing jobs created by no means corresponded with its standing on new manufacturing investment. Virginia's percentage gain in manufacturing employment was above the nation's during this period.

Recent Trend in Specific Segments of the Virginia Economy

1. Agriculture now accounts for only 10 per cent of the State's employment and only 5 per cent of total income. It seems likely to engage still fewer workers in the future. The most persistent and long-run economic trend for Virginia, as for the nation, has been the relative and even absolute decline in agricultural employment. The rising quantity of

TABLE 2
EMPLOYMENT* GROWS MORE RAPIDLY IN VIRGINIA THAN IN THE NATION

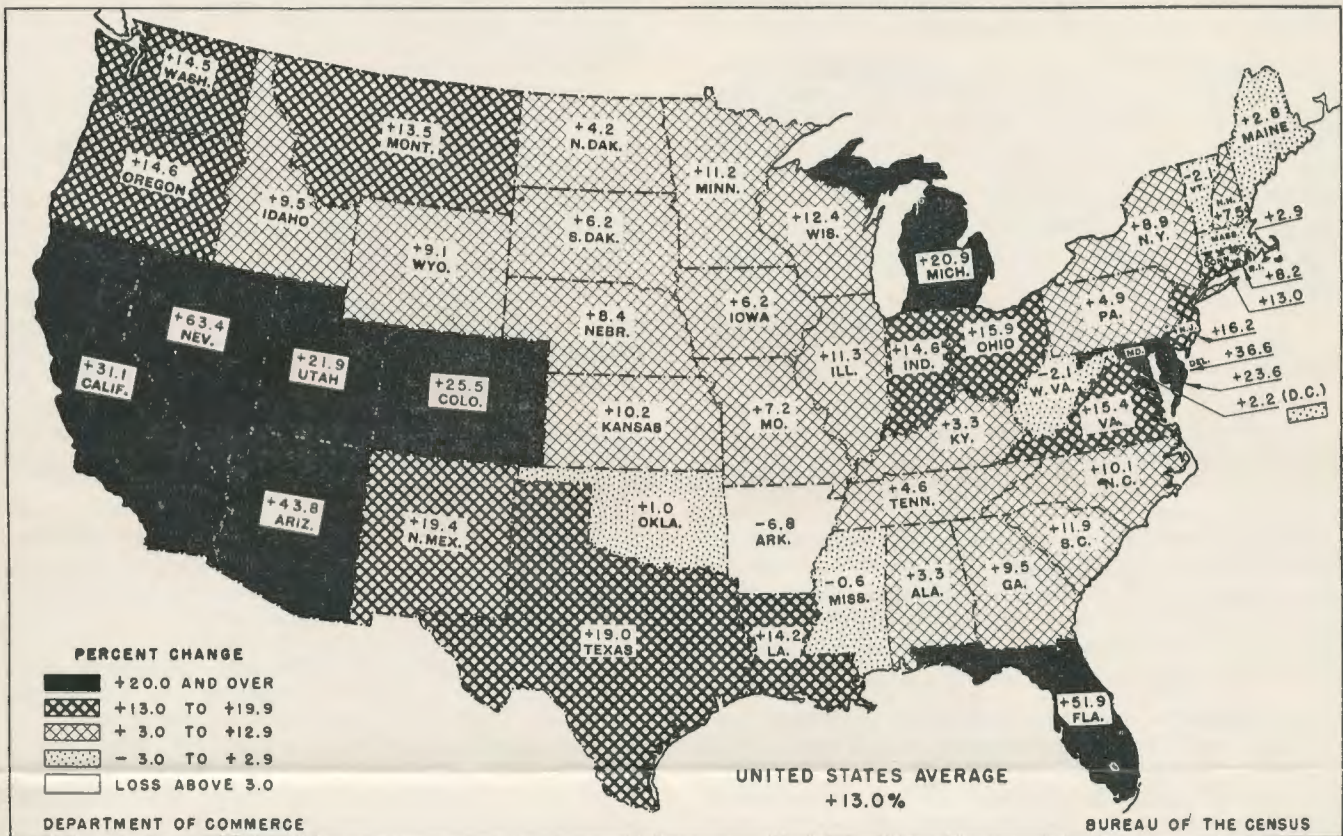
	1957 Employment			Per cent Change 1950-1957		
	Non-Agricultural	Manufacturing	Trade-Service Finance	Non-Agricultural	Manufacturing	Trade-Service Finance
Virginia	52,162,000	16,782,000	19,986,000	25.1	14.3	39.5
United States	995,000	259,500	331,800	16.6	12.1	20.8
15 Southern and Neighboring States	12,886,200	3,460,600	5,035,700	24.1	13.6	32.7
SOUTHERN AND NEIGHBORING STATES:						
Alabama	739,500	243,700	250,200	21.6	12.8	31.3
Arkansas	330,200	86,500	128,600	11.9	14.3	13.7
Florida	1,132,700	161,300	574,400	63.4	65.1	69.1
Georgia	966,400	326,100	358,900	22.9	14.7	31.0
Kentucky	642,000	170,200	235,700	17.2	22.4	27.7
Louisiana	789,100	147,100	312,000	27.0	4.9	83.3
Maryland	876,000	272,000	331,100	23.4	19.5	28.8
Mississippi	366,700	106,100	133,200	20.0	22.3	26.0
North Carolina	1,090,300	467,000	360,000	19.6	11.6	30.9
Oklahoma	573,000	86,900	231,600	21.1	32.5	20.5
South Carolina	536,700	228,500	167,800	18.9	9.2	30.7
Tennessee	852,100	291,600	323,300	15.2	18.0	21.9
Texas	2,472,200	483,800	1,090,100	29.1	37.0	32.7
West Virginia	504,300	130,300	152,000	-2.5	0.5	12.9

Sources: Population from U. S. Bureau of the Census, Personal Income from the U. S. Department of Commerce, and Nonagricultural Employment from the U. S. Bureau of Labor Statistics.

*Does not include agricultural workers, the self-employed, domestic workers, military personnel, and in the case of Virginia federal civilian employees in the Washington, D. C. area.

MAP 1

PERCENT CHANGE, 1950 TO 1957, IN THE TOTAL POPULATION OF STATES



agricultural commodities produced has been outpaced by rising productivity per worker, thereby releasing workers from the farm. The decline in Virginia, however, hasn't had the impact during the past seven years that it has had among the 15 southern and neighboring states where it accounts for double as large a share of the total employment and income.

2. During 1950-1952, Korean hostilities produced a build-up of military and federal civilian personnel in Virginia. Though cutbacks began in 1953, the level of such employment continues far above that of 1950. Hampton Roads and northern Virginia, adjacent to Washington, have continued to be the most rapidly growing areas in the State as a result of this expansion, the northern Virginia area growing by 50 per cent during the seven years. In no state do the federal government's activities have the relative importance that they do in Virginia. Wages and salaries received by the military and federal civilian employees accounted for 20 per cent of Virginia's personal income for 1957 as compared with 5 per cent for the nation and 10 per cent for the 15 southern and neighboring states.

3. The Virginia economy has continued to grow, even as federal activities have receded. This growth comes from a broadly based expansion in manufacturing, coal mining, port activity, travel trade and servicing-type activities. New Virginia manufacturing

has been well diversified, well dispersed throughout the State and rather well represented in the high-wage categories. In numbers of workers employed, Virginia's increase of 14 per cent is slightly higher than the 12 per cent increase for the nation but substantially below the 19 per cent increase for the fifteen southern and neighboring states. However, more than half of the greater gain for the latter is accounted for by the manufacturing growth in Texas. The last section of this article gives more details on manufacturing developments.

4. In this short seven-year period, Virginia-mined coal increased from 3.4 per cent to 5.9 per cent of the nation's output. Production factors as well as advantageous location (with respect to growing electric utility and industrial consumers and overseas markets) all augur well for the future of Virginia's coal. But no dramatic increase in employment in the foreseeable future should be expected because of the continuing impact of mechanization.

5. Port activities enjoyed healthy growth during this period. One important reason was the increase to more than 60 million tons of coal which passed through the ports of Hampton Roads in 1957. Coal has been overwhelmingly the most important export for Virginia, but sharp rises in the export of grains, the import of ores and petroleum, and the movement of other general cargo have recently occurred.

6. Catering to out-of-state tourists has developed into one of Virginia's big businesses, and has grown at an annual rate of 5 per cent. Only in Florida among the 15 states does the travel trade have the importance that it does in Virginia.

7. Of major importance during this period was the 40 per cent increase in employment in the servicing-type industries—including wholesale and retail trade, service and finance. This is double the national rate and 20 per cent greater than the rate for southern and neighboring states. Much of the gain, however, can be attributed to Virginia's "catching up" with expansion in the basic industries during the preceding fifteen-year period.

Manufacturing Developments, 1950-1957

Though Virginia has more manufacturing employment than do 9 of the 15 southern and neighboring states, manufacturing is of less relative importance here. This is because Virginia is a larger state than most and because the other segments of the economy, except for agriculture, as we have reviewed them above, are substantially more important in Virginia than in the group of 15 states. In 1957 manufacturing accounted for 17 per cent of Virginia's personal income as compared with 20 per cent for the southern and neighboring states and 25 per cent for the nation.

Diversification has long been the most characteristic feature of Virginia manufacturing. Many of Virginia's localities are dominated by a single industry but the state as a whole is not. Rather, manufacturing is scattered widely among most of the 20 major manufacturing categories, as may be seen in Table 3.

Most of the states in this 15 state group have far less diversification than Virginia. Tennessee is similar to Virginia in its variety, but North Carolina, the most important manufacturing state in the South next to Texas, has approximately one-half its employment in textiles and South Carolina has 60 per cent.

Virginia's 33,000 increase in manufacturing employment for the seven-year period compares very favorably with the growth of manufacturing in the past. Some of this recent increase is accounted for by expansions of existing plants but most of it can be attributed to the 350 new industrial plants that located in Virginia during this period.

For the seven years, even as total manufacturing grew in Virginia, the three leading industrial groups declined in importance. Textiles and lumber products were each down by about 10 per cent and the chemical industry had grown so slowly as to decline in relative importance. The declines in textiles and lumber reflected national trends, and the cutbacks were relatively less severe in Virginia. Employment in the nation's chemical industry increased by a substantial 24 per cent, but this growth largely by-passed Virginia where the important subcategories, synthetic fibres and fertilizers, did not grow and expanding subcategories failed to make inroads.

Three major industrial groups—shipbuilding, food processing, and apparels—accounted for one-half of Virginia's employment gains during this period. The expansion in shipbuilding came in 1950 and 1951 in response to the nation's needs for more ships after the Korean hostilities set in. Virginia's substantial gains in food processing and apparel ran counter to the nation where little or no change was experienced

TABLE 3
MANUFACTURING EMPLOYMENT BY MAJOR INDUSTRIAL GROUPS FOR VIRGINIA,
THE UNITED STATES AND NORTH CAROLINA, 1950 AND 1957, AND CHANGES FOR THE SEVEN YEAR PERIOD*
EMPLOYMENT IN THOUSANDS

	UNITED STATES				VIRGINIA				NORTH CAROLINA			
	1950	1957	Absolute increase	Per- cent Incr.	1950	1957	Absolute increase	Per- cent Incr.	1950	1957	Absolute increase	Per- cent Incr.
Manufacturing total	14,967	16,782.0	1815	12.1	227.0	259.5	32.5	14.3	418.3	467.0	48.7	11.6
Food & kindred prodts	1,523	1,509.8	-13.2	-.9	21.1	26.6	5.5	26.0	19.8	24.2	4.4	22.2
Tobacco manufactures	108	94.1	-8.9	-8.6	14.8	14.8	.5	3.5	27.3	30.4	3.1	11.3
Textile mill products	1,292	1,004.8	-287.2	-22.2	40.6	36.9	-3.7	-9.1	230.7	227.0	-3.7	-1.6
Apparel & rel. prodts	1,134	1,198.6	14.6	1.2	16.3	21.7	5.4	33.1	13.8	25.9	12.6	94.7
Lumber & wood products	805	654.6	-150.4	-18.7	29.4	26.4	-3.0	-10.0	42.6	33.8	-8.8	-20.6
Furniture & fixtures	369	375.6	6.6	1.8	14.8	15.6	.8	5.4	32.8	38.9	6.1	18.6
Pulp, paper & products	485	566.3	81.3	16.7	10.0	11.2	1.2	12.0	8.0	11.1	3.1	38.7
Printing & publishing	738	857.9	119.9	16.2	6.9	9.2	2.3	33.3	6.3	3.6	2.3	36.5
Chemicals & products	692	844.8	152.8	23.9	34.1	85.3	1.7	5.0	9.7	12.1	2.4	24.7
Petroleum & coal prodts	238	249.5	11.5	4.8	{							
Rubber products	246	265.2	19.2	7.8	1.1	2.4	1.3	119.0				
Leather & products	392	369.9	-22.1	-5.6	6.3	5.4	-.9	-14.3				
Stone, clay & glass	513	552.5	39.5	7.7	6.1	7.8	1.7	27.9	6.8	7.2	.4	5.9
Primary metal prodts	1,200	1,309.7	109.7	9.1	3.3	3.9	.6	18.2	2.4	2.0	-.4	-16.7
Fabricated metal prodts	973	1,182.3	159.3	16.4	6.2	9.7	3.5	56.4	2.8	7.4	4.6	164.3
Machinery, except elec.	1,354	1,737.9	383.9	28.3	{				5.7	8.7	3.0	52.6
Electrical machinery	877	1,223.3	346.3	39.5	2.1	8.9	6.8	322.0		19.4		
Transportation equipmt	1,264	1,378.1	112.1	8.8	11.0	17.6	6.6	60.0				
Instruments & rel. prodts	248	337.9	89.9	36.2	1.3	2.0	.7	53.8				
Misc. manufactures1	453	490.0	37.0	8.2	2.3	3.6	1.3	56.7	10.1	10.3	.2	2.0

Sources: U. S. Bureau of Labor Statistics, Virginia Department of Labor and Industry, and North Carolina Department of Labor.

*The tabulation for all 15 southern and neighboring states may be obtained from the Virginia Division of Industrial Development upon request.

by these two industries. Some of the expansion in Virginia's food processing was to serve the State's growing urban markets, the rest to produce for regional and national markets. The growth in apparels was not peculiar to Virginia. Most of the 15 states experienced a much more dramatic growth in this industry than did Virginia as the production of apparels shifted rather sharply to the South.

Two groupings of major manufacturing categories that until now have had a light weighting in the Virginia economy made rather substantial gains. In the nation a group of heavy metal and metal products industries which include primary metals, fabricated metals, and nonelectrical machinery account for 25 per cent of the manufacturing employment. As a result of the large gains in fabricated metals and

nonelectrical machinery, Virginia's increase for this grouping was 54 per cent, three times the percentage gain for the nation. Even after this increase these three categories still accounted for only 7 per cent of Virginia's manufacturing employment.

The other grouping of categories include petroleum and coal products, rubber products, electrical machinery, instruments, and miscellaneous manufactures and accounts for 16 per cent of the nation's manufacturing employment but has been poorly represented in Virginia. Virginia's employment in this grouping of medium to high wage industries increased by a phenomenal 167 per cent, but it still accounted for only 5 per cent of the State's total manufacturing employment in 1957.

PROGRESS REPORT ON THE STUDIES OF INDUSTRIAL OPPORTUNITIES IN VIRGINIA

The Advisory Council on the Virginia Economy is currently engaged in studies of the location factors for specific homogeneous industries that seem likely to expand rapidly in the immediate years ahead, that make a high per capita income contribution, that supplement existing industries, and that in other ways appear to be "good fits" for Virginia.

The project is a long range one. Because of the variety of natural resources, labor, and marketing conditions existing in Virginia, perhaps more than fifty studies of specific industries could be undertaken with advantage. Studies are initiated only as they can be launched on a firm footing and much time will probably be necessary to implement the findings.

Studies to Date

Three industry studies have been completed to date and two others are currently being prepared. The first of these explored the size of the captive and competitive markets that would be available to a Portland cement plant located in the Clinch Valley, in far southwest Virginia. The study showed that a plant in that area would not only have a competitive advantage in the assembly of raw materials but would have as short or a shorter rail haul than any existing suppliers to a market area that consumes 6.8 million barrels of cement annually—several times the volume needed for an economical sized plant.

A study on the potential for more steel making in Virginia revealed a need for one or two new electric steel-making facilities to be located on the Hampton Roads-Richmond axis. The results of the study were disappointing in that it concluded that the consumption of steel products in the Virginia area was not large enough to justify the establishment of an integrated steel plant at this time.

Still a third study entitled *The Competitive Position of Richmond, Virginia For A New Cane Sugar Refinery* demonstrated that a refinery in the Virginia

area would have a freight rate advantage over existing refineries in an area where more than 400,000 tons of sugar are consumed annually. There is no sugar refinery between Baltimore and Savannah, and this area of the South Atlantic appears to be the most logical location for a new refinery in the nation.

A report on *The Feasibility of a Glass Container Plant for Virginia* has been prepared in preliminary form. At present no glass container plant is located in either Virginia or North Carolina and this report shows Virginia to have all the raw materials needed for glass making within its boundaries as well as consumption of glass containers about double the size needed for an average-sized plant.

A study of more electronic possibilities for Virginia has been launched but is as yet only in a preliminary stage. This rapidly expanding industry employs a large number of women and has a substantially higher wage rate than the apparel industry.

Other industries have been screened and are ready for study as soon as time and research facilities permit.

To What Use Can These Studies Be Put?

1. They can give direction to the State Government's, the State Chamber's, local chambers' and development corporations', and the utilities' efforts to attract industry to Virginia by indicating the industries for which we are best fitted and the particular areas of the state that would serve as suitable locations. Each specific industry can serve as a tool to be used in soliciting individual firms.

2. They can point to deficiencies, some of which might be corrected. Unfavorable features of the governmental climate might be uncovered. Aspects of our natural resources investigations that should get the highest priority might be revealed. Types of technical training that the expanding industries are looking for might suggest educational programs for

Virginia. The studies can point to specific deficiencies that individual localities will have to correct if they are to attract certain types of industries. Some of these deficiencies that are of statewide interest will be reported in future issues of this Review.

3. It is hoped that they will be of help in the advertising efforts to attract new industry by indicating the best media to use and points to emphasize in getting the attention of industrial prospects.

Content of Special Industry Studies

Each of the studies has an introductory analysis on (1) the characteristics of the industry such as size of firms and average annual wages per worker, (2) re-

cent technological changes and changes in prospect, (3) demand prospects in the immediate years ahead, and (4) status of the industry in Virginia.

A more detailed analysis is given of the relative importance of the location factors and the competitive position of Virginia locations in attracting this industry. It is generally agreed that markets (the cost of transporting the firm's products to industrial or consumer markets), materials (the cost of assembling materials), and labor (the wage rates that must be paid and the availability of trained employees) are the three most important factors influencing industrial locations. Each of the specific industry studies has to be flexible, putting emphasis on those cost factors which are most important.

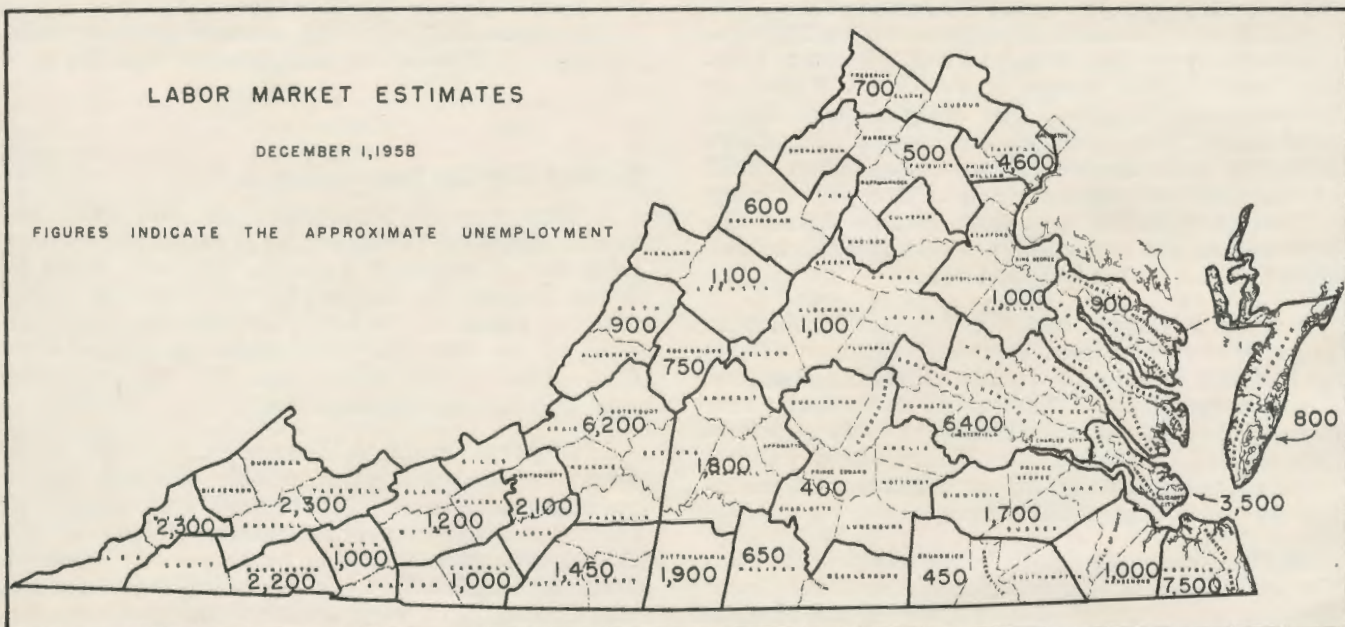
LABOR MARKET OUTLOOK

Seasonal influences and general improvement in economic conditions throughout the State have combined to reduce the number of unemployed to an estimated 58,000 as of December 1, 1958 according to the Virginia State Employment Service. This is 15.4 percent below the revised unemployment figure for September of this year but still approximately 10,000 above December of last year. During the recession of the past year unemployment has been lower in Virginia than nationally as measured by the insured unemployed as a percent of covered employment.

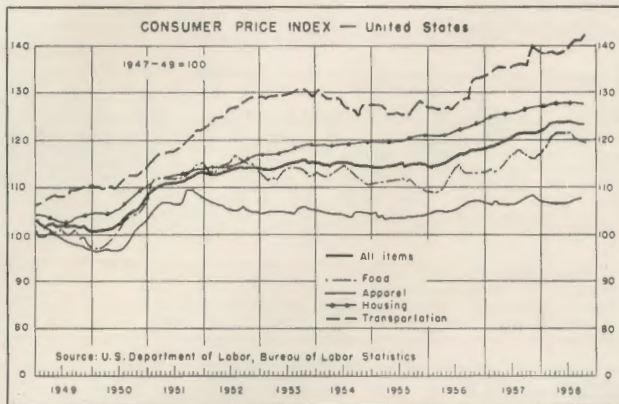
Since September there have been, with only a few exceptions, moderate across-the-board increases in all lines of manufacturing and nonmanufacturing activities. The sharpest rises in employment during the quarter have been in wholesale and retail trade, a normal seasonal upswing as consumers purchase for the Christmas season. Only chemicals among the manufacturing industries showed an appreciable decline in employment. Coal mining employment picked up slightly but was well below the December level

of last year. Continued good weather during the fall months has helped maintain construction employment at a rather steady level.

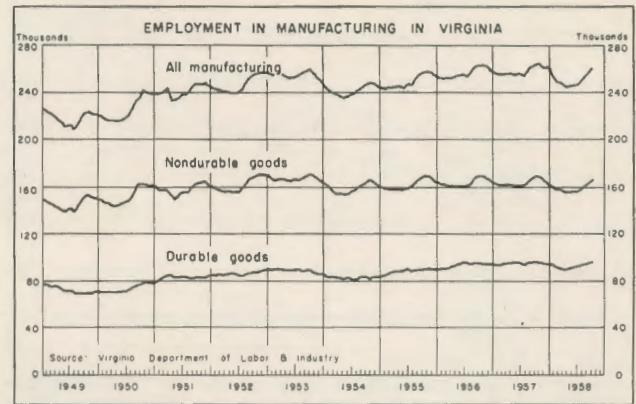
Unemployment has declined in several labor market areas of the State. The harvesting, packaging and processing of apples in the Front Royal and Winchester labor markets has given seasonal employment to many. Danville and South Boston workers have been called back to their jobs in the tobacco industry and in the Suffolk area the peanut industry has recalled many. In the Warsaw marketing area the pickup in the Menhaden fishing industry reduced unemployment. A general improvement in economic conditions leading to unemployment declines has also been registered in the Norfolk-Portsmouth, Richmond, and Lynchburg labor market areas. Unemployment increased in the Roanoke area as the American Viscose plant steadily cut employment in preparation for its closing. In the Eastern Shore area a slight increase in unemployment took place resulting from the seasonal downturn in food processing.



ECONOMIC BAROMETERS FOR VIRGINIA



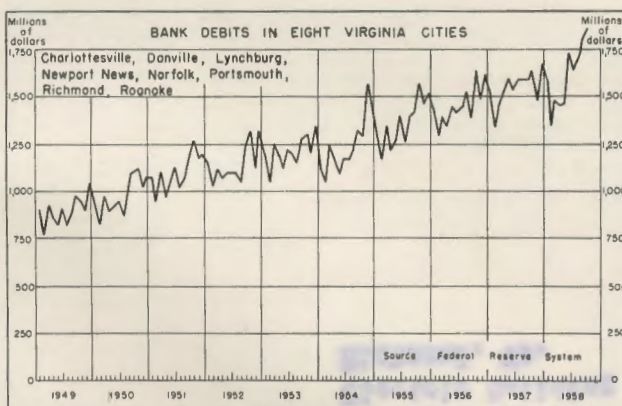
After inching upward for more than two years the consumer price index fell slightly during the month of August and remained unchanged during September and October. For the three-month period lower prices for foods offset advances in most other groups of goods and services according to the U. S. Department of Labor's Bureau of Labor Statistics. Food prices dropped 1.6 percent during the three-month period because of lower prices for fresh fruits, vegetables, meats, poultry products, and coffee. Transportation costs rose sharply as a result of advances in prices of incoming 1959 models, used cars, auto insurance rates, and tires. Apparel prices rose with advances in many items of men's, women's and girls' ware. The cost of medical care rose, due largely to higher rates for hospitalization insurance, to increasing fees for professional services and rising prices of prescriptions.



Since May when employment hit the lowest level in over two years, manufacturing employment has increased by 15,500 and in October was only 1.8 per cent below the level of a year ago. Most of this increase has been in seasonal work in the nondurable industries of food processing and tobacco which were favored with a good growing season. Nonseasonal gains in employment were made in the knitting, rubber, paper and apparel industries. Increased manufacturing activity in the durable industries of furniture, primary and fabricated metals, baskets and containers, millwork and lumber added 4,400 employees and overshadowed layoffs in shipbuilding and repair yards.

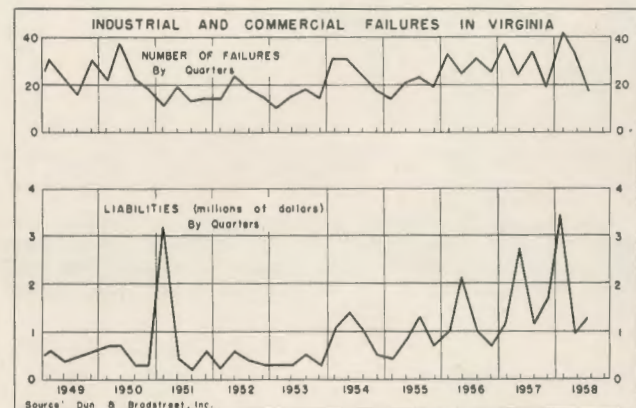
	Oct. '58	Sept. '58	Oct. '57
All manufacturing employment	260,900	256,200	265,700
Durable goods	94,700	93,800	95,800
Nondurable goods	166,200	162,400	169,900

	Oct. '58	Sept. '58	Oct. '57
Consumer Price Index	123.7	123.7	121.1
Food	119.7	120.8	116.4
Apparel	107.8	107.1	107.7
Housing	127.9	127.9	126.6
Transportation	142.7	141.3	135.8
Medical care	146.7	146.1	139.7
Personal care	128.8	128.7	126.2
Reading and recreation	116.6	116.6	113.4
Other goods and services	127.2	127.1	126.8



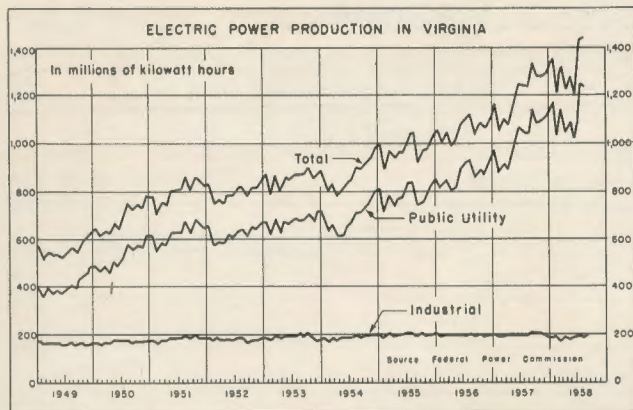
After the usual beginning-of-the-year downturn, bank debits in eight Virginia cities have risen to the highest peak yet reached. Total debits for the first ten months of 1958 were 4.0 per cent higher than for the same months of 1957. During this same period the greatest total increases were Richmond 8.9 per cent, Charlottesville 5.8 per cent and Portsmouth 4.9 per cent.

	Oct. '58	Sept. '58	Oct. '57
Bank debits (millions)	\$1,865	\$1,791	\$1,658



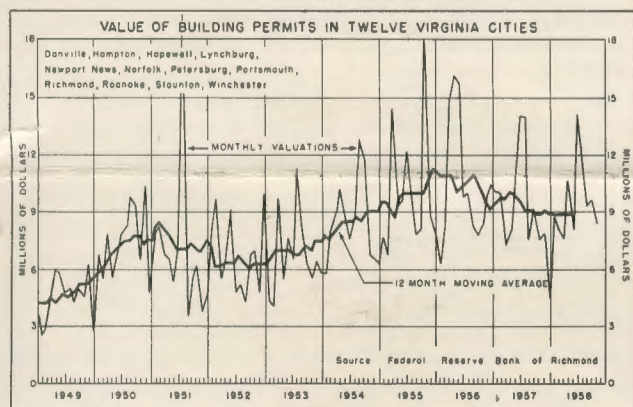
The number of industrial and commercial failures in Virginia has declined rapidly since the first quarter of 1958 when an all-time high was reached in both the number of failures and the amount of liabilities. The total number of failures for the January-September period was 92 compared with 96 for the same period of 1957—a drop of 4.2 per cent—but the amount of liabilities was \$5,731,000 compared with \$5,032,000 in 1957—a rise of \$699,000, or 13.9 per cent. For this period Virginia did better than the nation which had an increase of 10.9 per cent in number of failures and a 20.8 per cent rise in the amount of liabilities. Only 6 failures with liabilities of a total of \$163,000 have been reported for the months of October and November, which gives promise that times are improving.

	3rd Qu. '58	2nd Qu. '58	3rd Qu. '57
Number of failures	17	38	34
Liabilities involved—thousands	\$1,276	\$977	\$1,070



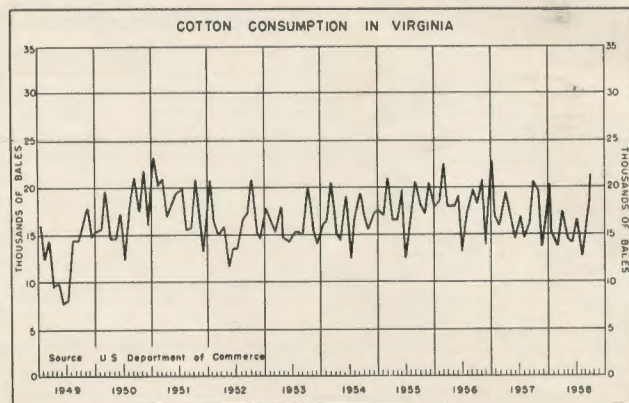
Electric power production in Virginia for the January-August period was 12.1 per cent over the 1957 figure. June was the only month which did not register an increase over the corresponding month of 1957. Public utility production for the ten-month period was 15.3 per cent higher than in 1957, but industrial production was 3.6 per cent less.

	Aug. '58	July '58	Aug. '57
Total production—(kwh millions)...	1,487	1,428	1,288
Public utilities	1,289	1,243	1,088
Industrial	198	185	200



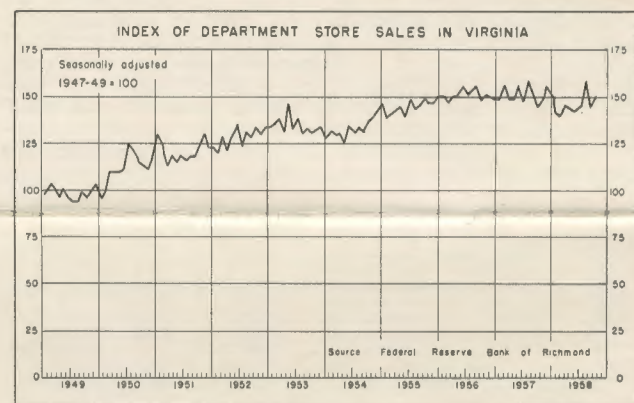
The value of building permits issued in twelve Virginia cities in October was 12.6 per cent above the figure for the same month of 1957. Value of permits has been down, but the total for the ten months is only 2.2 per cent below the ten-month period of 1957.

	Oct. '58	Sept. '58	Oct. '57
Building permits —thousands—	\$8,269	\$9,467	\$7,343



Consumption of cotton in Virginia during the ten months of 1958 was 7.5 per cent less than in the first ten months of 1957. For the nation it was 5.7 per cent less. In Virginia October was the only month of 1958 which showed an increase over the corresponding month of 1957. Inventories of unfinished cloth at the mills continued high, but Thanksgiving and Christmas shutdowns should reduce these stocks.

	Oct. '58	Sept. '58	Oct. '57
Bales consumed	21,356	15,053	20,804



In August 1958 department store sales reached a record high, exceeding highs of previous "good" years. This together with the rise of sales in October helped to bring the total for the ten months of 1958 to only 3 per cent less than the total for the same months of 1957. The Christmas sales should help to bring this year's total nearer that of 1957.

	Oct. '58	Sept. '58	Oct. '57
Index of department store sales	149	144	144

Mr. Lewis F. Powell, Jr.
Electric Building
Richmond, Va.



[1959?]

8870-25-

Powell

**REPORT OF
JOINT COMMITTEE
SURVEYING THE NEEDS
OF THE SOUTH CAROLINA
STATE DEVELOPMENT BOARD**

REPORT OF JOINT COMMITTEE SURVEYING THE NEEDS OF THE S. C. STATE DEVELOPMENT BOARD

I. PREFACE

The Committee created under Senate Resolution 63,, adopted on February 4, 1959, by the Senate and House of Representatives of South Carolina to "survey immediately the needs of the State Development Board and report back its findings and recommendations to this General Assembly no later than March 15, 1959," respectfully makes this, its report, in accordance with the terms of the Resolution. Filing of the report was delayed briefly to permit the Committee to complete its investigation and to coordinate its report with recommendations of the Governor.

Your Committee, composed of three members each from the House of Representatives and the Senate, recognized at the outset that "industrial development of the State of South Carolina is the primary concern of the 93rd General Assembly."

The Committee has undertaken to examine as exhaustively as possible in the time allotted the State's relative position in the field of industrial expansion and to study the resources and methods utilized to attract reputable, compatible industry into the State.

The Committee began its study with an analysis of the personnel and operation of the present Development Board. Numerous conferences were held with the Director and individual staff members. The Director submitted written recommendations which proved helpful to the Committee.

A conference was also held with the five members of the Development Board. Each of the members presented his views on how the function of the Department could be improved.

The Committee next began a series of conferences and interviews with industrialists, bankers, representatives of utilities, educators, and business and civic leaders, some of whom are directly concerned with industrial development and all of whom are interested in seeing South Carolina grow industrially. Approximately fifty such persons conferred with the Committee and many other persons were contacted on an informal basis and gave helpful information and advice which was of material assistance to the Committee.

In addition, a public hearing was held to which was invited representatives of local development organizations and Chambers of Com-

merce. The information gathered at this meeting was of especial value to the Committee in determining what problems exist on the local level.

The Committee studied in some detail the organization of State Development Boards and programs in other states, particularly in the South. Information was obtained about the structure, personnel, appropriations and general effectiveness of organizations in other states charged with the responsibility of industrial development in those states.

The Committee was impressed with the methods used and the apparent success of the Arkansas Industrial Development Commission to the extent that the Committee spent two days in Arkansas making a personal study and appraisal of the program, which proved most beneficial.

The Committee recognized at the outset that the securing of industry is a problem of many facets, the least of which is the necessity of developing a program to attract desirable industries. It was the Committee's concept that our industrial development program should be such as to provide investments for our economy and employment for our native people. The mere securing of industry for industry's sake should not be the goal of our program. Rather, at the risk of losing marginal industries, we should so direct our efforts and screen our prospects as to insure that the industrial development program will not adversely affect the way of life which we now enjoy in South Carolina.

The possible value and necessity of this study is further indicated by the Committee's early conclusion that the South today is standing on the verge of a period of unparalleled economic expansion.

The forecasters of economic trends are predicting that the march of industrial investments into the Southeast will not only continue unabated but grow significantly larger during the next decade and a half. The Committee feels that such predictions are fully justified and this report and the Committee's recommendations are based in considerable part on this basic premise.

After considering these economic trends, members of the Committee have concluded unequivocally that a considerable expansion of our economic base in South Carolina is vital to the financial future of our State. The necessity of broadening our economic base through the location in our State of desirable new industries is recognized by all of the industrialists, leaders in government and thinking citizens

who have analyzed the various sound economy for the State for the people.

In short, we cannot afford to be by-passed by the trends which are now being and which South by the industries and in fact, do everything we can to investments which will provide additional State and local tax

In general terms, the recommendations based on two simple but irrefutable productive economy in our State income for our citizens and (2) A broadening of our State burden of both individuals and upon the functions and service

In the opinion of the Committee every effort to expand our economy of tax revenue as well as income result of indifference toward a the expansion of our existing for State, county and municipal as a whole. It is a well established not remain stationary. If it decrease or "drying up" of tax more and more taxes upon burdened with the support of

We feel the wiser course is of our economy by investing our talents to attract and keep

To this end, the Committee's recommendations based on an examination of industrial competition and what development.

In making these recommendations expansion of our economy will responsibilities. If we are to give ourselves to an increasing program most attractive to industry and

who have analyzed the various factors which go into making up a sound economy for the State and a stable, progressive government for the people.

In short, we cannot afford as a State government or as a people to be by-passed by the tremendous volume of dollar investments which are now being and which are contemplated to be made in the South by the industries and businesses of the nation. We must, in fact, do everything we can to attract reputable, compatible industrial investments which will provide increased payrolls for our people and additional State and local tax sources.

In general terms, the recommendations set forth in this report are based on two simple but irrefutable facts of economic life: (1) A more productive economy in our State will result in a higher per capita income for our citizens and consequently more prosperity for all; (2) A broadening of our State and local tax basis will ease the burden of both individuals and industry whose tax dollars now support the functions and services of government.

In the opinion of the Committee, it would be foolhardy not to make every effort to expand our economy, thereby furnishing new sources of tax revenue as well as increasing the income of our State. The result of indifference toward attracting new industry and encouraging the expansion of our existing industrial pursuits would be calamitous for State, county and municipal governments as well as for the people as a whole. It is a well established fact that a State's economy will not remain stationary. If it is not expanding, it will decrease. A decrease or "drying up" of the economy will mean the levying of more and more taxes upon industry and people already heavily burdened with the support of governmental services.

We feel the wiser course is to promote the full but orderly growth of our economy by investing as sensibly as we can our dollars and our talents to attract and keep stable investments in our State.

To this end, the Committee is making certain broad recommendations based on an examination of where we stand in the field of industrial competition and what we should do to enhance our financial development.

In making these recommendations, the Committee is aware that the expansion of our economy will entail the assumption of certain basic responsibilities. If we are to grow industrially, we must commit ourselves to an increasing program of improving those assets which are most attractive to industry and we must constantly communicate to

the industrial community of the nation that South Carolinians are capable, willing, and enthusiastic people who offer a genuine welcome to those industrialists and businessmen who wish to become our partners in seeking mutual economic fulfillment for industry and for the State.

The Committee wishes to acknowledge with sincere gratitude the cooperation of many persons and organizations without whose aid and assistance the Committee's work could not have possibly been accomplished. Many loyal South Carolina citizens gave generously of their time and effort in assisting the Committee in studying various phases of the many problems, and for their thoughts and help the Committee is grateful. We are especially indebted to Governor Orval Faubus and the Arkansas Industrial Development Commission whose hospitality and assistance in allowing us to make a thorough study of their State's Industrial Development Program was of material value to the Committee.

Among the many out-of-State persons who contributed generously of their time and at their own expense came to confer with the Committee we want to note Mr. Lewis Bishop, former Director of the Development Board, now Senior Vice-President of the Wachovia Bank and Trust Company, Winston-Salem, North Carolina; Mr. Warren White, Assistant Vice-President, Seaboard Airline Railroad, Richmond, Virginia and Mr. Robert J. Saunders, Vice-President of the Ludlow Manufacturing Company, Needham Heights, Massachusetts.

The Committee worked very closely with Governor Hollings and members of his Staff whose interest and cooperation materially contributed to the Committee's work.

II. WHERE WE STAND

Before the Committee could determine what steps, if any, should be taken to strengthen our program of industrial development, we felt it necessary to determine where we stood as a State, both in terms of total current industrial investments and in the competitive field of industrial expansion.

To understand our relative position in the current total investment of dollars, we must consider the investments by industry in our neighboring Southeastern states. These states are our competitors in the race for industrial investments, and we are engaged with them in the same kind of basic competition which pits one retail merchant

against another. The ultimate State which can offer the best and offer it to him through a

The Committee is firmly convinced that the State has a superior product to the industrial world with a wealth of industrial assets. If we have everything else, we possess the same. Industrialists unanimously say it is not to migrating capital. South Carolina has fewer removals, and fewer vacancies in any State in the union.

If we fully develop our industrial resources and disseminate them to the industrial community, we are concerned about the competitive position. A combination of a solid program of industrial sales will bring us great economic growth and a relative position among the States.

In assessing our current position, it is easy to be misled by the statistics. When we speak of industrial growth in terms of millions and hundreds of millions, at least among the Southeastern states, we are talking about growth in terms of millions of dollars.

To determine the effectiveness of our program, we assess our relative position in the industrial world. Our competitors. The real question is the question of investments which we should make. It has concluded that we are not in a position to start a new industry that we should have a good start in the race for industrial growth. What behind our competitors.

We will attempt to illustrate our economic strides with those of our competitors. We can fairly consider competitors.

It will be noted in the competitive position of the South Carolina State Development Board. The South Carolina State Development Board has \$128,000,000 in capital investment in the expansion of existing industries. The State Development Board has \$19,000,000 in additional capital investment.

on that South Carolinians are
e who offer a genuine welcome
en who wish to become our
fulfillment for industry and

dge with sincere gratitude the
izations without whose aid and
d not have possibly been ac-
a citizens gave generously of
Committee in studying various
their thoughts and help the
y indebted to Governor Orval
velopment Commission whose
us to make a thorough study
nt Program was of material

s who contributed generously
came to confer with the Com-
shop, former Director of the
-President of the Wachovia
Salem, North Carolina; Mr.
t, Seaboard Airline Railroad,
Saunders, Vice-President of
Needham Heights, Massa-

with Governor Hollings and
l cooperation materially con-

STAND

e what steps, if any, should
industrial development, we
ood as a State, both in terms
d in the competitive field of

the current total investment
tments by industry in our
states are our competitors in
we are engaged with them
ich pits one retail merchant

against another. The ultimate victor in this competition will be the State which can offer the best merchandise to the industrial investor, and offer it to him through a sound, aggressive sales program.

The Committee is firmly convinced that South Carolina offers a superior product to the industrial buyer. As a State, we are blessed with a wealth of industrial assets, both tangible and intangible. Above everything else, we possess the sound business climate which industrialists unanimously say is the single most important inducement to migrating capital. South Carolina has had fewer business failures, fewer removals, and fewer vacant industrial buildings than practically any State in the union.

If we fully develop our industrial potentialities and then merchandise them to the industrial community, we have no reason to be concerned about the competitive challenge of our sister states. The combination of a solid program of internal development and external sales will bring us great economic rewards, and insure our rightful relative position among the States of the South.

In assessing our current position in the industrial development picture, it is easy to be misled and to be lulled into a sense of complacency. When we speak of industrial investments, we are speaking in terms of millions and hundreds of millions of dollars. Even the least among the Southeastern states can calculate its annual industrial growth in terms of millions of dollars.

To determine the effectiveness of our present program we must assess our relative position in comparison with the states which are our competitors. The real question is: "Are we receiving the share of investments which we should expect and need?" The Committee has concluded that we are not today receiving the relative share of new industry that we should and that South Carolina, after an excellent start in the race for industrial dollars, is beginning to lag somewhat behind our competitors.

We will attempt to illustrate this problem by comparing our economic strides with those of several representative states which we can fairly consider competitors for the industrial dollar.

It will be noted in the comparative table below that during 1958, the South Carolina State Development Board reports that we gained \$128,000,000 in capital investments for new industrial plants and the expansion of existing industries. That investment, according to the State Development Board report, accounted for 6,625 new jobs and \$19,000,000 in additional payrolls.

We have balanced this report against the investments reported in three other states: North Carolina, Alabama and Oklahoma. While not strictly speaking a Southeastern state, Oklahoma is a serious competitor for industrial investments. At the same time, these three states offered a reasonably balanced picture of how South Carolina is faring in the industrial competition. One of the listed competitors is an immediate neighbor, one is a more distance deep South state and the other lies on what is commonly referred to as the Southern Borderland.

Of course, it must be kept in mind that South Carolina has less population than any of the states being compared but the Committee did feel that the disparity in dollar investments would provide some indication of the potential which we have in South Carolina regardless of lack of population.

As can be seen by the table, North Carolina's reported 1958 investments by new investors and existing industries which expanded established operations amounted to \$253,074,000 or almost twice the amount reported in our State. Significant in these figures is the number of new job opportunities created in North Carolina where the Development agency reported a concurrent increase of 21,757 industrial positions, more than three times the number of new jobs created in South Carolina while North Carolina's population is less than double that of South Carolina.

In Alabama, the development agency chose to break down its figures into two categories, the amount of money actually invested in new and expanded plants during 1958 and the amount involved in the announced intentions of industrial leaders to locate or expand plants in the State. The actual investment listed by Alabama, \$190,000,000, outstripped the South Carolina total by about \$62,000,000.

The Oklahoma investment in new and expanded industries during 1958 is reckoned at about \$230,600,000, or almost twice as great as the investment in South Carolina during the same period.

There is an additional point of significance here if the Oklahoma statistics are compared with those released in North Carolina where the reported dollar investment was comparable. Actually, North Carolina claimed about \$23,000,000 more than Oklahoma in the dollar category. Yet, the number of new and expanded plants involved in the North Carolina investment was six times greater than the number reported in Oklahoma. This fact leads the Committee to

believe that North Carolina has concentrated its campaign on the attraction of light industry while Oklahoma's development efforts are directed toward heavy industry.

As can be seen from the statistical tables, seven of the 78 plants located in Oklahoma during the year accounted for \$103,650,000 of the total investment. The immediate availability of certain basic raw resources like oil and natural gas in Oklahoma would tend to account for heavy industry's movement into that State.

REPORTED INDUSTRIAL INVESTMENTS

Calendar Year—1958

	South Carolina	North Carolina *	Alabama **	Oklahoma
Total Investment	\$ 128,000,000	\$ 253,074,000	\$ 299,298,000	\$ 230,600,000
New Plants	\$ 112,000,000			50
Expansions	\$ 16,000,000			28
No. New Plants and Expansions		423		78
No. New Jobs	6,625	21,757	5,500	
Increase in Payrolls	\$ 19,000,000	\$ 67,633,000		
Actual Investment			\$ 190,000,000	
Announced Investment			\$ 109,298,000	

* In N. C. metalworking industries led investments with total expenditures of \$67,155,000.

** Alabama reported plants established during year in 41 of State's total of 67 counties.

10

11

REPORTED INDUSTRIAL INVESTMENTS

Calendar Year—1958—(Continued)

Breakdown of Major Investments in Oklahoma

(New)

Dewey Portland Cement	\$ 12,000,000
Western Electric	35,000,000
Aero Design and Engineering	6,650,000
Fansteel Metallurgical Corp.	6,500,000
Callery Chemical Company	38,000,000
Flint Steel Company	2,000,000
Sun Oil Company	3,500,000

Total of *Seven* Investments \$ 103,650,000

(Expansions)

Ideal Cement Company	\$ 20,000,000
Continental Baking Company	1,000,000
Reed Roller Bearing Company	25,000,000
D-X Sunray Refinery	12,000,000
Kerr-McGee Oil Company	5,000,000

Total of *Five* Expansion Investments \$ 63,000,000

The foregoing comparisons give a graphic picture of what happened during 1958 and where we stood as a State in the competitive race for new industrial capital. To present a clear, concise picture of where we stand in long-range competition, we quote from a comparison made in a recent report of the United States Department of Commerce. We have chosen to include comparisons in seven vital phases of economic growth. It will be noted that in only two of them, the growth of large manufacturing establishments and the increase in the dollar value of world trade, does South Carolina even exceed the average of the seven Southeastern states listed. It is, however, pleasing to note that in almost every category we surpass the national average, but a comparison with our neighboring states has a sobering effect when we recognize that they are our chief competitors for new capital which is flowing into the South.

SUMMARY OF EXPANSIONS IN SOUTHEASTERN ECONOMY
SINCE WORLD WAR II

Value Added by Manufacture
(Millions of Dollars)

	1947	1956	% Change
UNITED STATES	74,342	145,103	+ 95
Alabama	877	1,642	+ 87
Florida	350	1,169	+ 234
Georgia	1,016	2,144	+ 111
Mississippi	302	606	+ 101
North Carolina	1,646	2,824	+ 71
South Carolina	794	1,447	+ 82
Tennessee	961	2,111	+ 120
Total S. E.	5,947	11,942	+ 101

Source: Census and Survey of Manufactures, Bureau of Census.

Manufacturing Employment
(Thousands)

	1947	1956	% Change
UNITED STATES	15,555.0	17,178.3	+ 10
Alabama	225.5	232.8	+ 3
Florida	81.8	143.7	+ 76
Georgia	252.0	336.9	+ 34
Mississippi	92.9	101.9	+ 10
North Carolina	371.7	473.1	+ 27
South Carolina	191.8	224.7	+ 17
Tennessee	249.9	287.5	+ 15
Total S. E.	1,465.6	1,800.6	+ 23

Source: Census and Survey of Manufactures, Bureau of Census.

Manufacturing Establishments
(Number)

	1946	1956	% Change
UNITED STATES	229,094	288,299	+ 26
Alabama	3,025	4,111	+ 36
Florida	3,039	5,357	+ 76
Georgia	4,419	6,179	+ 40
Mississippi	2,414	2,452	+ 1
North Carolina	4,905	7,235	+ 47
South Carolina	2,059	2,859	+ 39
Tennessee	3,384	4,458	+ 32
Total S. E.	23,245	32,651	+ 40

Source: County Business Patterns, 1946 and 1956.

Large Manufacturing Establishments
(500 or more Employees)

	1946	1956	% Change
UNITED STATES	4,208	5,305	+ 26
Alabama	73	89	+ 22
Florida	28	37	+ 32
Georgia	81	118	+ 46
Mississippi	19	26	+ 37
North Carolina	139	160	+ 15
South Carolina	89	117	+ 31
Tennessee	77	96	+ 25
Total S. E.	506	643	+ 27

Source: County Business Patterns, 1946 and 1956.

Expenditures for New Plant and Equipment
(Thousands of Dollars)

	1947	1956	% Change
UNITED STATES	6,003,873	11,234,581	+ 87
Alabama	72,362	239,451	+ 231
Florida	50,052	117,004	+ 134
Georgia	84,320	232,016	+ 175
Mississippi	22,713	35,006	+ 54
North Carolina	137,583	194,539	+ 41
South Carolina	61,743	101,970	+ 65
Tennessee	83,792	203,681	+ 143
Total S. E.	512,565	1,123,667	+ 119

Source: Census and Survey of Manufactures, Bureau of Census.

Manufacturing Payrolls
(Millions of Dollars)

	1946	1956	% Change
UNITED STATES	36,476	77,059	+ 111
Alabama	383	829	+ 116
Florida	188	500	+ 166
Georgia	457	1,054	+ 131
Mississippi	140	291	+ 108
North Carolina	674	1,448	+ 115
South Carolina	319	711	+ 123
Tennessee	486	1,056	+ 117
Total S. E.	2,647	5,889	+ 122

Value of World Trade Through Customs Districts
(Millions of Dollars)

	1946	1957	% Change
UNITED STATES	14,531.6	33,746.5	+ 132
North Carolina	82.3	121.4	+ 47
South Carolina	27.7	213.7	+ 671
Georgia	116.5	201.3	+ 73
Florida	247.9	792.7	+ 220
Mobile	130.5	287.5	+ 120
New Orleans	797.1	2,150.3	+ 170
Total S. E.	1,402.0	3,766.9	+ 169

1. Both Exports and Imports.

Source: Bureau of the Census, Monthly Foreign Trade Reports.

Per Capita Personal Income
(Dollars)

	1947	1957	% Change
UNITED STATES	1,316	2,027	+ 54
Alabama	794	1,324	+ 67
Florida	1,143	1,836	+ 61
Georgia	884	1,431	+ 62
Mississippi	662	958	+ 45
North Carolina	894	1,317	+ 47
South Carolina	779	1,180	+ 51
Tennessee	876	1,383	+ 58
Average for S. E.	870	1,388	+ 59

Source: Office of Business Economics, U. S. Dept. of Commerce.

The increase in world trade through our State ports by an astounding 671 per cent between 1946 and 1957 made South Carolina (and hence its seaports) the fastest growing State in the Southeast in this category. We submit that these increases have been achieved through the investment of both energy and money in an aggressive

program of seaport expansion and promotion. This statistic should be ample proof of the wisdom of the State's investing \$21,000,000 in an expansion of the Ports' facilities two years ago. The committee feels that a similar type investment in both effort and dollars in strengthening the overall economy of our State is fully warranted by the experience of our Port Development Program.

Per capita income frequently is frowned upon as an accurate measure of the total economy of a Southern state. The relative increases and decreases of per capita income, however, are excellent gauges of how our economy is progressing. South Carolina made significant strides in increasing its per capita income from a low point of 28 per cent of the national average in 1933 to a high of 63 per cent in 1953. South Carolina has failed to make any real gain since 1953 in per capita income and has, in fact, begun to slip behind the national average. Since 1953, South Carolina has actually declined to 58 per cent of the national average from its high point of 63 per cent.

When the programs of industrial development engaged in by the Southeastern states are analyzed, one immediately discovers a striking corollary. The states which outstripped South Carolina in industrial investments also outspent her in their attempts to attract industry into their states.

Florida, the fastest growing industrial state in the Southeast, is also its biggest spender in terms of dollars devoted to the promotion of industry and tourist trade. The Florida Development Commission, alone, pumped \$1,200,000 into external promotion aimed at attracting industries and tourists during 1957-58. The Florida expenditure for advertising and promotion was more than twice the size of South Carolina's total appropriation for development work. The Florida funds listed here do not include other millions marshalled for promotion by cities like Miami, Daytona Beach, Tampa, Jacksonville and St. Petersburg, nor does it include the money invested in promotion by major Florida business interests such as the citrus growers. All of this money, while much of it was directed at selling specific towns or products like oranges, was directed at a central theme: *i.e.*, the health, vitality and good qualities offered by the State of Florida.

In the following table, it can be seen that South Carolina devoted far less money in 1957-58 to the external promotion of its tourist and industrial assets than any of the competing states of Florida, Georgia, North Carolina, Tennessee or Virginia. As these figures are com-

pared, it will be noted that some of these states are devoting a major share of their advertising and promotion budgets to the attraction of tourists. This fact could lead to an erroneous conclusion unless one considers that tourist advertising and industrial prospect advertising are in the Seaboard area of the nation indissolubly locked together in their impact on the industrial consumer. More and more today, industrialists are seeking sites in areas where the peripheral benefits of good climate and recreation will create a beneficial atmosphere for their workers. For this reason, advertising executives say that the advertised tangible benefits of recreation have almost as much impact on the industrial consumer as advertisements directed strictly toward their consumption. Additionally, the promotion of travel in the State can have the effect of leading men into the State who like what they see as tourists and decide, as industrialists, to situate a plant in South Carolina. Florida is today reaping in an industrial way the fruits of years of tourist and travel promotion.

*Advertising Expenditures by States for Industrial Promotion
1957-58*

Florida	\$400,000
Georgia	126,000
North Carolina	150,000
South Carolina	104,000
Tennessee	200,000
Virginia	450,000*

For Tourist Promotion

Florida	\$800,000
Georgia	80,000
North Carolina	225,000
South Carolina	35,350
Tennessee	300,000
Virginia	450,000*

* Includes both industrial and tourist expenditures.

From the foregoing summary and analysis, the Committee might with some justification conclude that a "cure all" recommendation would be that the annual appropriation for advertising and promotion be doubled or trebled. Such an assumption would not only be fallacious, but in our judgment an unwise recommendation as a

step even approximating a solution. It would be a fallable step even if the funds in that amount were available, a fact which your committee well knows does not exist this year.

We, thus, are faced with a problem and it is this: We must find methods by which we can make our dollars and our ideas go further toward the goal of attracting industry. We must, like an out-manned and outequipped army, win our battles by dint of superior planning and superior tactics. With good planning, the judicious use of a modest additional appropriation to strengthen our Development Team, the welding of our State into a coordinated campaign for industry and an orderly reorganization of our development program, the Committee is convinced that we can compete effectively with our rivals without over-extending our lines of fiscal supply.

III. WHAT SPECIFIC PROBLEMS FACE US

The Committee, in its attempt to discover and analyze specific problems as they tend to affect our industrial development program found it necessary to divided our study into five phases, each phase dealing with a group or classification vital to the program. These groups include (1) The Governor; (2) The State Development Board; (3) The development program as it is now constituted on the local level including county and city development boards and Chambers of Commerce; (4) The people of the State and (5) The General Assembly.

Suggestions and recommendations made in each of these categories are not to be considered as critical of existing or past policies or methods of operation. Rather, it is the purpose and intent of this report to offer constructive help to all groups and persons interested in the attainment of our common goal and specific comments and recommendations will, we hope, be received in that spirit.

We shall begin our examination first with the Governor.

A. *The Governor*

The key figure in an expanded program of industrial development is the Governor. The Development Board is an arm of the Executive Branch of the government and as such is directly responsible to the Chief Executive.

As noted in the preface to this report, Governor Hollings has expressed keen interest in the work of the Committee and has along with his Staff given invaluable assistance and cooperation to our

group. It is his announced intention and program to make an all out effort to attract desirable industry to our State. Immediately after his nomination last summer, he commenced a program of personal visits to industrialists in all sections of the country. The Committee unanimously feels that given the proper working staff and the support of the General Assembly and the people, Governor Hollings will succeed and that our State will enjoy the greatest industrial expansion and development in its history.

Our Committee feels that the Governor can and will give impetus to the program in many ways, including the following:

(1) As Chief Executive he can function better than anyone else as the State's chief salesman. The prestige of the office of Governor will open industrial doors and make ears attentive that would otherwise be completely closed. We endorse Governor Hollings' plans to travel extensively in the quest for new industry. We believe that such efforts will be of far more benefit to the State than fulfilling many of the traditional functions of the office such as the making of speeches and the crowning of queens.

(2) The Governor can mobilize businessmen and industrialists into an effective team of citizen-salesman. The more volunteer manpower and brainpower, properly channeled, that is available to us, the more effective will be our development program. Using the prestige and facilities of his office, we respectfully suggest that the Governor seek information and suggestions from all citizens interested in the development program and that some informal organization be made which will insure a continuing interest and participation in the program. We recognize that the time of the Governor is limited and the demands of the office great, therefore we commend his designation of an industrial secretary to assist in the industrial development effort.

(3) We suggest that the Governor's office with the help of the Development Board attempt to coordinate the advertising program of private groups such as banks, utilities and tourist-promotion groups to insure a maximum benefit to the State from their respective programs.

B. *The Development Board*

Since its founding and the official beginning of its work in 1945, the State Development Board (originally known as the Research, Planning and Development Board) has done an outstanding job in the attraction of new industry to South Carolina as well as in developing and utilizing our natural resources. The success of the Board is

best shown by the fact that in the fourteen years since its creation, approximately 145,000 new jobs have been created to help our citizens bridge the economic gap and weather the hardships of a change from a basic agricultural to a more balanced industrial economy. Had it not been for the foresight and ability of the Board in anticipating this change, the economic hardships that would have fallen on our State and its people would be difficult to imagine.

Tangible evidence of the Board's success is seen from the fact that the total industrial investment in South Carolina increased from \$500,000,000 in 1945 to \$1,500,000,000. today.

Working within a limited budget at all times, and in a field where there was little or no precedent, the success of the State Development Board can only be attributed to high calibre of representation on the Board and a competent, dedicated staff.

It was a source of pride and pleasure to the Board to see that R. M. Cooper, the Board's first as well as its present Director, is recognized as one of the pioneers in the field of industrial development whose wise counsel and outstanding leadership have been of benefit not only to South Carolina but to the entire South.

The Committee recognizes, however, that the increasing competition for industry from other states demands that the organization, personnel and staff of the present Development Board be expanded and fortified in order that full advantage be taken of our State's opportunity to capitalize on the present industrial expansion in the South.

The Board's present membership consists of five (5) persons appointed by the Governor with the advice and consent of the Senate. The Board's function as presently constituted is entirely policymaking. Individual members of the Board do not concern themselves with where in South Carolina a new industry is to be located, and contrary to some popular belief exert no influence over sites of new industry. Their primary responsibility is the selection of a Director and the establishment of general policy under which the development program of the State is conducted.

The Committee considered carefully the question of whether the membership on the Board should be increased. Present members of the Board were unanimous in their recommendation that there be an increase in the number of persons on the Board. This recommendation was concurred in by all other persons with whom the Committee discussed this question.

The chief value of an expansion in the Board's membership would be three-fold: (1) Every area of the State would be insured representation on the policy-making level; (2) Increased membership would bring into the development program more business minds and talents; and (3) Such a move will promote closer liaison between the Board and localities in the State.

It is the Committee's judgment that an increase in membership to allow one representative from each Judicial Circuit plus a Chairman to be designated at large would best serve the interests of the State. The possibility of such a Board being somewhat unwieldy because of its size is, in the Committee's judgment, outweighed by the advantages inherent in the increased membership as above outlined.

There is today a need for more internal services, additional skilled personnel within the Staff and especially for better liaison between the Board, its Staff and the Legislature as well as between the Board and the local development agencies of the State.

While the Committee does not wish to encroach upon either the policy-making or the administrative prerogatives of the Board, we respectfully suggest and recommend that the following additional personnel and services be added to the present staff and functions of the Board and that the General Assembly provide sufficient funds therefor:

(1) That at least four additional executive staff members be employed in the capacity of industrial engineers or as we might colloquially term them "Salesmen of and for South Carolina". At least one of these persons should be a senior industrial engineer with training and background in management as well as industrial development.

These additional personnel should immediately familiarize themselves with the industrial potentials of the various areas of the State and be prepared along with present staff members to "Sell South Carolina To Industry". Some consideration might well be given to dividing the State into geographic areas and having one industrial engineer assigned especially to each such area in order that comprehensive coverage of the entire State be assured.

(2) Creation of a division within the Development Board Staff to act as liaison between the State development level and the local development groups. The Committee believes that an effective program of state-local liaison would have at least two highly desirable effects: (a) It would permit local development leaders to become quickly informed on the latest sales and promotion techniques. (b) It would

weld the State and its localities into a close-knit campaign for new industry. The Committee further suggests that this program of liaison might begin with a series of industrial development seminars sponsored for the benefit of local development leaders by the State Development Board.

The major effort of the Development Board in the past has been directed toward the attraction of new industries into the State. Largely, because of shortages of funds and personnel, there has been no formal liaison group within the present Board. The increasing enthusiasm of people throughout the State for industrial development is reflected in a mounting number of local development organizations, thereby making essential liaison and coordination from the State level which will insure a maximum utilization of the enthusiastic effort which is presently apparent throughout the State.

Because of an almost total absence of communication and liaison between State and local agencies, a great deal of criticism, mostly unjustified, has been directed at the work of the State Board. Whether justified or not, the criticism and lack of trust which exists on many local levels is a deterrent to orderly industrial development of the State. For a successful industrial program, both State and local agencies must work harmoniously toward the common goal of expanding South Carolina's economy. A harmonious, coordinated effort can be obtained with an effective program of communication, liaison and mutual assistance. The State Development Board and the localities of the State each have an important function in the attraction of new industry, and less than complete cooperation cannot be afforded at this crucial time in the State's industrial development.

(3) Establishment of a Division of internal development within the Staff of the State Development Board. The Committee feels this division could concentrate an effective campaign directed toward helping existing industry solve financial, marketing and production problems. The Committee believes such a division, for instance, could offer valuable assistance in the development of undeveloped agricultural potentials by concentrating effort on the attraction of agriculture-related industry.

Mr. Cooper and his Staff have long recognized that the expansion of existing industry, including the extension of established plants and the construction of new ones by industries already operating in the State, is as important to the economy as the attraction of new investors. The Committee believes it could be said that the expansion

of existing industry is more important than the attraction of the new for two reasons: In the first place, the expansion of an established manufacturer strengthens his economic position and, thus, strengthens the economic position of the State. In the second place, the expansion of an existing plant is a renewed expression of faith in South Carolina and its people. As such an expression of faith, it is our finest sales point. It is the translation into industrial prospect sales of that classic automobile manufacturer's slogan, "Ask the Man Who Owns One."

The Committee feels that a primary obligation in expanding our industrial capacity is to provide active assistance to existing industry by helping them to develop further South Carolina resources and solve any problems which might stand in the path of expansion. Other states are carrying out this kind of program, and it is necessary and desirable for us to do the same.

In a discussion of expanding industry, the fact that agriculture remains one of our largest and strongest industrial fields is too often overlooked. Agriculture continues to provide a substantial part of the total value of South Carolina's dollar resources. The Committee feels the State has not made sufficient effort to assist our agricultural industry to solve the problems created first by the sharp decline of the "row crop" farm economy, and secondly by the false allure of the soil bank.

Farming plays a substantial role in South Carolina's economy, and it will continue to be an important part of the State's economy no matter how highly industrialized the State becomes, especially if proper planning, guidance and opportunity is furnished farmers of the State. For example, the farm products of South Carolina travel to markets outside our borders largely in their natural state. In addition, we import quantities of these same products in their finished or processed stage for local consumption. Development of a food processing and marketing program would be of inestimable value in providing farmers with a steady, more profitable market as well as provide additional employment for those engaged in the mechanics of the processing procedures.

C. The Local Level

This report has recognized a basic lack of communication in many instances between the State Development Board and local development groups. The responsibility for overcoming this deficiency is by no means that of the State group alone and it cannot be completely

overcome until local groups at least acquiesce in the recognition of a State-wide concept of industrial expansion. This need for cooperation applies as strongly in the relationship between the counties and towns as it does to the working accord between the local levels and the State.

It is inevitable that competition will exist among our towns and counties in the attraction of industry to the State. It exists today to the point where there are frequent contradictions in sales approach, and these contradictions are not conducive to planned, orderly development. Contradictions tend to confuse the prospect and drive him away.

It is not the intention of this Committee to argue against the feeling of genuine competitiveness because it is this sort of feeling which builds pride in a community and, thus, promotes the uplifting of the community itself. We suggest only this: That while every man is proud of his own town and county and while he obviously wants the locating industry to come to his locality, the product we are all selling primarily is South Carolina. Any major industry which locates a plant in the State is contributing something to every resident of the State by strengthening the total economy. Every industry which comes to the State, for instance, is spreading the tax base and contributing to a lessening of the burden of those of us who already are here.

In selling industry on a local level, one must first sell that industry on South Carolina and this can be done best by presenting a united, harmonious front in the campaign to attract new wealth. We must fully appreciate our own assets and the assets of our neighbors and then be of one mind in offering these assets to the industrial prospect.

In many cases, we have not fully developed the local services which industry is seeking. Important county and municipal services such as processed water, sewerage facilities, recreation programs and air strips are missing from many of our localities.

In addition, few South Carolina localities have begun to take formal action toward the orderly development of their cities and counties. Proper zoning programs are almost non-existent in the State, and little thought is being given to the pre-planning of industrial sites beyond the mere selection of a tract of land which would be immediately attractive to the manufacturer.

Although legislation now exists allowing the creation of county planning boards, few counties have effective, functioning Boards.

Planning Boards have two distinct purposes; (1) To protect the community from helter-skelter industrialization, and (2) To insure industry against the growth of unsavory living conditions for its employees.

The undesirable by-products of poor planning in the great industrial areas of the east and mid-west are responsible in some measure for industry's decision to move South. We must act now to avoid creating in South Carolina the same unpleasant conditions such as slums, choked streets and sordid neighborhoods which industry finds so undesirable in the North. There is a practical, economic reason for planning and acting now. By so doing, we will avoid the future costs of demolition and urban rehabilitation for which cities like Chicago, Detroit and New York are paying dearly.

Industry ordinarily will locate in communities which are ready for industrial development. Most communities are not fully prepared for new industry. The Committee suggests that communities meet the challenge of preparation through the following suggested program:

1. Work to improve community facilities and services, not only those serving industry operations such as gas, water, sewer, power, but also the general community appearance, cultural, recreational and educational facilities.
2. Generate greater interest and participation in the community activities which create a sound local business climate.
3. Conduct a program to aid existing industry to prosper and expand through greater understanding for and appreciation of its problems, its needs and its role in the community's economy.
4. Unify efforts through the local community development organization and utilize local leaders who are intimately familiar with the local resources. There should be continuity of personnel among those responsible for the planned industrial development program.
5. Select good industrial sites and plan industrial areas with adequate facilities and zoning to preserve the integrity of these areas.
6. Promote greater understanding among the citizens of the complexities of industrial development such as the competition we face, what industry looks for in a community, the time factor in industry acquisition and the wisdom of seeking only sound industry.
7. Develop and maintain a cordial community attitude toward new industry; also a greater understanding for and appreciation of existing industry, its problems, and its role in the community's economy.

8. Greater coordination with the State Development Board on external advertising and selling in order to achieve the maximum effort.

9. Acquire and maintain current basic data on the area, determining community assets as well as limitations and liabilities. Learn thoroughly the community's resources and be prepared to present the information factually and objectively.

D. South Carolinians at Large

Every individual, business and industry in South Carolina has a stake in our economic progress. Each of us will profit by a general strengthening of the economy and a broadening of the tax base of the State, counties and municipalities.

This profiting by growth will accrue as much to industry, the old established firms and the new industrial investors, as it will to the individual wage earner and taxpayer. Progressive industrialists recognize this economic truth and they are willing and anxious to help the State help itself.

There still, of course, exists some reluctance on the part of a few business and industrial operators who oppose the influx of new plants because they feel it will diminish the labor pool and raise the cost of labor. The Committee is glad to report that most plant owners do not agree with this point of view.

The attitude of forward looking industrial leaders was capsuled by one witness, an industrialist, who said this:

"There was a time when my company opposed industrial expansion in our community because of certain problems, like labor supply, which develop when a new plant moves in. But we have come to realize that the benefits of a broadened tax base far outweigh the relatively minor problems and inconveniences we have to contend with."

Projected from this progressive attitude is a genuine willingness to promote the cause of industrial growth. The point here is that the State has not taken full advantage of this potential aid. On the State Development Board level and in the community, we need the advice of our business and industrial leaders—the men who know best what industry is looking for and how we can best go about satisfying investor prospects.

In our external sales program, we need these men to help us tell the South Carolina story. Their expressed pleasure as satisfied indus-

trial residents of the State is worth the equivalent of millions of dollars of promotion and advertising.

E. The General Assembly

We possess in South Carolina certain distinctly good governmental qualities which make up what has come to be called a "Good Business Climate." Basically, the phrase "good business climate" defines very real, and yet intangible, qualities which are just as important to industry as sites, raw materials and markets.

To say that we have a "good business climate" means that we have willing, industrious people who will give an employer a day's work for a day's pay. It means that these workers are largely untouched by disruptive influences which often tend to slow down production. It means they are independent, satisfied people.

From these people in South Carolina has sprung a stable, conservative government which is unmarked by the radicalism and turmoil which exists in some other states. We have in South Carolina an impressive history of orderly self-government, and we have consistently demonstrated a complete willingness to cooperate with reputable, compatible business and industrial interests. We have cooperated and will continue wholeheartedly to cooperate because we believe as a state and people in the American free enterprise system. The continued health of stable, progressive business, in fact, is the key to our whole economic and political system and the American way of life. Without healthy business interests, there would be no free enterprise system and, as a result, no democratic government.

The protection and promulgation of our business climate lies to the greatest extent with the General Assembly of South Carolina. It is upon the basic fabric of State law and policy that the business climate rests.

As Legislators, we recognized this fact last year when without one dissenting vote we revised the system by which the taxes of foreign corporations are assessed. This move, made only after a careful review by an outstanding committee, was aimed at promulgating fairness in our tax system and not simply at giving the industrialist a break. The old system was a detriment both to industry and the State. We recognized that shortcoming and corrected it.

The Committee feels that the South Carolina General Assembly must adopt a continuing policy of evaluating our laws and policies to determine those areas where the business climate can be further im-

proved. Such a continual process of re-examination would encompass our tax system and all statutes and statements of policy affecting the orderly conduct of business within the State.

Matters which we feel merit attention now fall into several categories including property tax assessments, financial assistance to new industry, research and education, additional funds to implement the Committee's recommendations and finally a formal statement of legislative policy toward industry.

1. *Property Tax Assessments*

Attention should be given, on a statewide basis, to promoting more uniformity in the methods by which we assess property. Although the State Tax Commission has the power to assess the property of industry, the existence of a profusion of conflicting assessment systems on the county level tends in cases of abnormally low local assessments to make industry bear a disproportionate share of the tax burden and consequently seriously discourages new industries.

2. *Financial Assistance to New Industries*

Financing of industrial buildings, we learned, is frequently the key to attracting smaller industries. The Committee feels that serious attention should be given to developing some uniform method by which local development corporations can lend money to smaller industries which have been properly screened. The lease-back system of plant and office building construction is becoming more and more prevalent among business and industry in the United States.

We should encourage the financing work of the new Business Development Corporation, but the economic scope of this organization is limited. Elsewhere in the South, a number of different systems of plant financing are being employed, but some of these schemes would not be attractive to either our government or our people.

We do not believe, for example, that the State's credit should be pledged to provide capital for private business, although some States have done this through the issuance of general obligation State bonds to construct buildings for industries on a lease-back basis.

The Committee studied many aspects of the financing plans used in other States including permissive legislation allowing pension and trust funds to be invested in mortgage bonds to provide capital for industrial buildings. We have been assisted by the banking industry in our attempts to assess the value and validity of such plans.

We recommend that this Committee be permitted to continue its study of the problems inherent in providing sufficient capital for our industrial development program and that a more detailed report on this important phase be presented to the 1960 General Assembly.

We recommend as a first step the passage of permissive legislation which will allow local groups to form non-profit, private corporations for the purpose of raising money to assist in financing industrial buildings in local communities.

3. *Research and Education*

Basic to the concept of any successful long range program of industrial development is the necessity of a continuous program of research and education. The responsibility for providing the legislative authorization for such a program is on the General Assembly.

Research should be divided into two major fields: (1) Technical-scientific and (2) Economic. Some effort in both fields is now being made through the Development Board working in conjunction with Clemson and the University of South Carolina, and the results of the relatively minor efforts now being made convinced the Committee of the urgent need and justification of a much greater and more planned effort.

The Committee is not prepared at this time to recommend a plan which will insure a proper research program in technical and scientific fields. Such a plan should be developed only after careful study of our existing facilities, the programs of other states and consultation with leading educators of this and other states.

The Committee recommends that it be allowed to continue its study on the problem of research in the technical and scientific fields and submit a report and recommendations to the 1960 General Assembly.

With respect to research in the economic field, the Committee notes with approval the work of the Bureau of Business and Economic Research at the University of South Carolina and feels that the expansion of the work of that agency and a closer identification of it with the State Development Board will be an adequate beginning answer to the need for research in this field.

The Committee further recognizes the value and need for additional trade and vocational education in our secondary school program.

An excellent job is being done in training our young people for jobs in industry, but an increase in our industrial development pro-

gram will require a corresponding increase in the demand for skilled, trained labor. We recommend that the economic research group and the Development Board work in close liaison with our Vocational Education Program in order that information, guidance, and direction be furnished that program so that it will produce the skilled labor which is the heart of a successful industrial expansion program.

4. *The Cost*

To carry out the recommendations with respect to personnel and services, it will, of course, be necessary to appropriate additional funds for the Development Board. The Committee recognizes the fiscal dilemma of the General Assembly and approves the general "hold the line" policy which has been apparent when additional expenditures are proposed.

Your Committee feels strongly, however, that an additional appropriation for development purposes is no more than an investment in South Carolina's future and an investment which will pay for itself many times over in the additional wealth which will accrue to the State from the success of the contemplated program.

Since much of the program is still in its formative stage and since exact estimates of expenditures cannot be had, the Committee recommends that an additional sum of \$100,000 be appropriated for the State Development Board for the fiscal year 1958-59 and to be expended by the Board with the approval of the Budget and Control Board. This sum should be sufficient to pay the cost of the increased personnel and services recommended in this report.

We also recommend that the Development Board be authorized to pay from this appropriation actual, necessary expenses of its representatives when traveling outside the State on official business. The present per diem rates are not adequate.

We recommend that the Board be authorized to secure an airplane for use of the Governor and the Board, as such means of transportation is essential to the development program.

5. *Statement of Policy*

We recommend that the General Assembly adopt forthwith an appropriate resolution in the form of a statement of policy to include an invitation to desirable industries seeking new locations to consider our State and a pledge to maintain in South Carolina the kind of stable, conservative government under which business can grow and prosper.

Such a resolution would, in the Committee's judgment, give official recognition and support to the "Good Business Climate" now existing in South Carolina.

IV. SUMMARY

The findings and conclusions of the Committee, therefore, can be stated briefly as follows:

(1) South Carolina should be getting a greater share of new industry and business investments than we are now securing; and

(2) That it is essential to our future prosperity and well-being to secure compatible and desirable new industries and the expansion of our existing industry.

A program to accomplish these objectives warrants a maximum effort on behalf of the Governor, General Assembly and the citizens of the State.

The Committee feels that the recommendations as contained in the body of the report, which will be briefly recapitulated here, will assist in the beginning of a new and vigorous industrial development effort. The Committee's recommendations can be summarized in the various categories as follows:

A. *The Governor*

The Committee recommends:

(1) That the Governor carry out his announced intention of assuming personal leadership in the program of attracting industry into our State and that he, along with his Staff, enlist the aid of South Carolina businessmen and industrialists in furthering this program; and

(2) That the Governor, along with the Development Board, encourage an expanded and coordinated advertising program from private groups seeking to develop our State.

B. *The Development Board*

The Committee recommends:

(1) That the Development Board be reorganized to permit the appointment by the Governor of one representative from each Judicial Circuit plus a Chairman to be designated at large; and

(2) That the present Staff of the Development Board be expanded to include additional industrial engineers, a liaison division to work

with local development groups, a division of internal development to aid existing agriculture and industry.

C. *The Local Level*

The Committee recommends that the local communities interested in industrial development prepare themselves for industry:

- (1) By the creation of planning boards with zoning authority;
- (2) By the equalization of property tax values in order that industry will not pay a disproportionate share of the tax burden; and
- (3) By improving community facilities, including basic utilities, and cultural, recreational and educational facilities.

D. *The General Assembly*

We recommend that the General Assembly:

- (1) Immediately enact legislation authorizing the expansion of the membership of the Development Board;
- (2) Appropriate the additional sum of \$100,000 to defray the estimated cost of the expanded industrial development program;
- (3) Authorize the establishment of non-profit corporations designed to facilitate the financing of new industrial buildings;
- (4) That the problem of uniform property assessments be studied on a statewide basis and that a workable solution or system be recommended for use in the individual counties;
- (5) That vocational education be encouraged;
- (6) That a research program be started in both economic and technical-scientific fields;
- (7) That a proper statement of legislative policy toward the industrial development program be adopted; and
- (8) That this Committee be continued with the specific task of making recommendations concerning the establishment of a proper research program and the consideration of additional methods of providing capital for industrial expansion.

The Committee recognizes that this report and the recommendations being made cannot alone bring industry and prosperity to our State. We are completely convinced, however, from this study that South Carolina, its geography and climate, its government, its hard-working, homogeneous population, all combine together to offer unusual advantages to industry.

The challenging task before us all today is to capitalize on the opportunity to obtain new wealth for our citizens. Working together, the Committee is confident that the job can and will be done.

Respectfully submitted,

Senate Members:

JOHN C. WEST, *Chairman*,

MARSHALL J. PARKER,

WILLIAM C. GOLDBERG,

House Members:

ROBERT E. MCNAIR, *Vice-Chairman*,

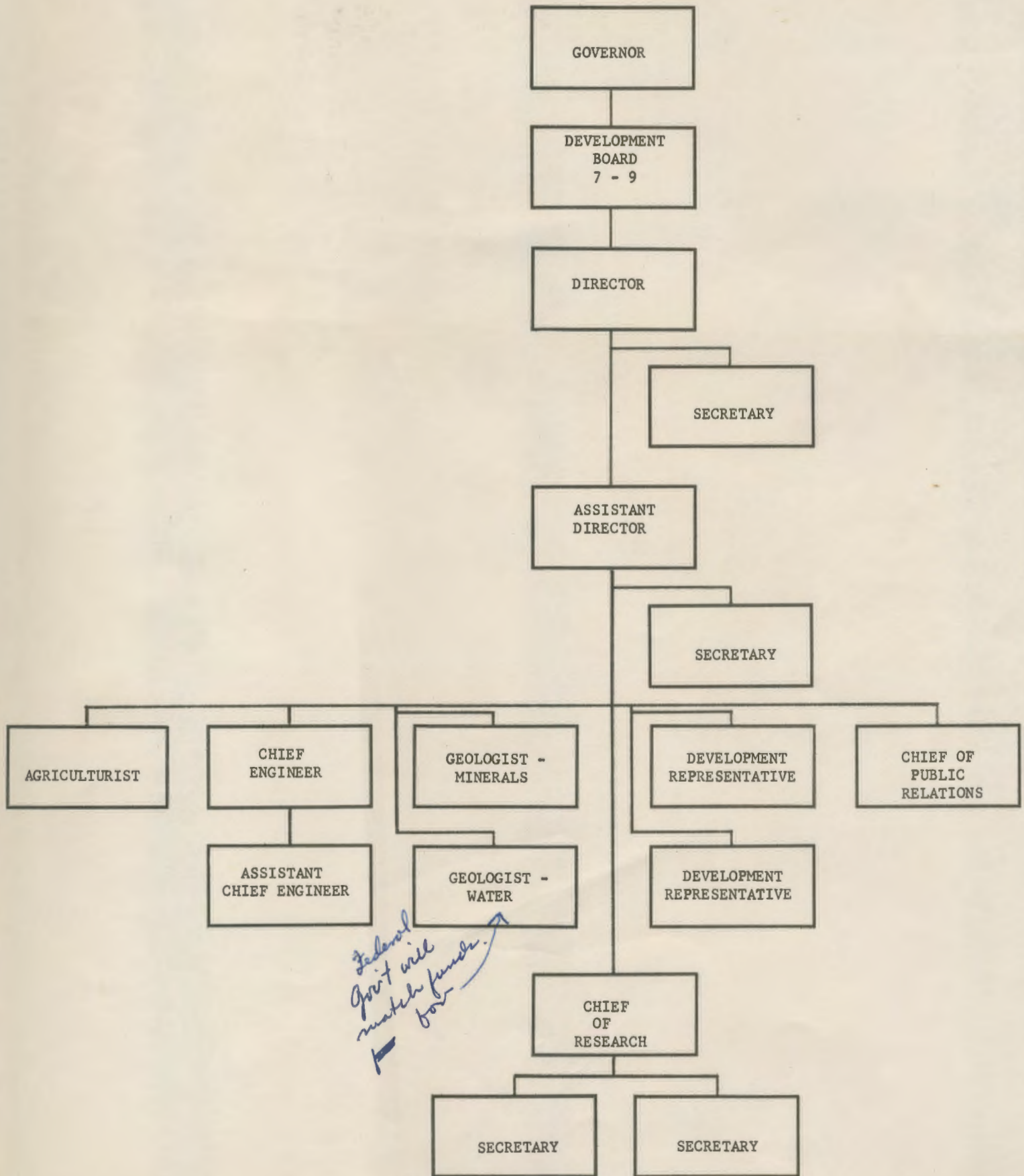
BARNEY DUSENBURY, *Secretary*,

REX L. CARTER.

S.C. Tax Program helpful to business:

A State Tax Commission assesses all industrial property (i.e. determines valuation) to assure equal treatment. Local bds of supervisors & councils determine rate. This gives good balance - as rate can't be increased on business without increasing on everybody else.

PROPOSED ORGANIZATION OF THE DEVELOPMENT BOARD
FOR THE STATE OF VIRGINIA



*Federal
Govt will
match funds.
for*