

INTERNATIONAL OUTLOOK 2008-2009

Presented by
Rod Miller, VP of International Economic Development
GREATER PHOENIX ECONOMIC COUNCIL
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GREATER PHOENIX
ECONOMIC COUNCIL

**Communities of Distinction.
Together Greater Phoenix.
America's Greatest Upside.**

MARICOPA COUNTY PHOENIX MESA GLENDALE SCOTTSDALE CHANDLER GILBERT
TEMPE PEORIA SURPRISE AVONDALE GOODYEAR APACHE JUNCTION BUCKEYE
MARICOPA FOUNTAIN HILLS QUEEN CREEK TOLLESON WICKENBURG

Greater Phoenix Economic Council (GPEC)

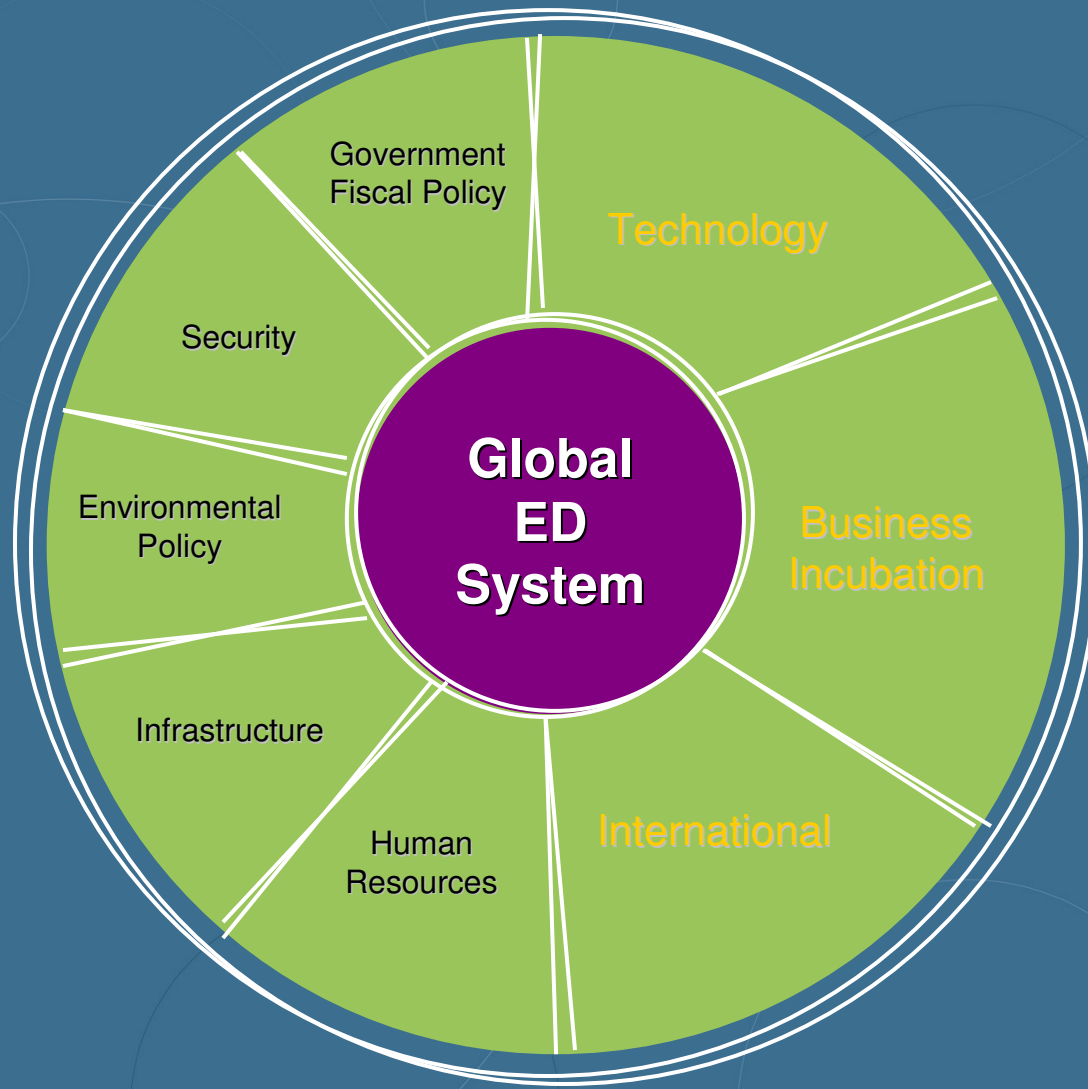
The Region's Economic Development Authority

- A true regional model where public and private members work together to promote Greater Phoenix as a great place to grow business.
- Supported by Maricopa County, 18 cities and towns, and more than 140 private-sector businesses.
- The catalyst that strengthens the region's economic base, ensuring it is both diversified and competitive.



Framework for Competitiveness

Strengthening Competencies and Identifying Opportunities



- Determine competitiveness measures.
- Structure globally competitive state, region and local economic development system.
- Develop toolkit to grow quality jobs.
- Expand performance in global markets.
- Market regional and knowledge-based assets.

Economic Outlook

National

- Crumbling financial markets precipitated by housing busts.
- Deal flow retrenchment and market sluggishness.

Arizona

- Arizona's job growth continuing to decline - currently 49th nationally.
- Decreasing tax revenues have led the Rockefeller Institute to list Arizona as #1 in its lists of "most troubled states".
- Arizona is 3rd nationally in foreclosure rates.



Arizona and Greater Phoenix

The Greatest Upside in America

A Choice Location

Arizona is among top 10 best states for business.

- *Development Counselors International*

Phoenix named a North American City of the Future for attractive investment climate and strong infrastructure.

- *fDi magazine*

Arizona ranks as 8th greenest state in the nation.

- *Business Facilities*

The Sun Corridor, especially Greater Phoenix, has most secure water supply in the Intermountain West.

- *Brookings*



International Performance Overview - Prospects

- While domestic prospects are in a decline, we are seeing an increase in the number of prospects from foreign companies.
- International activity is playing an increasingly important role in GPEC's overall performance
 - Serves as a buffer against domestic instability
 - Higher wages than the average performance in the market
 - Represent new and growing industries with long-term positive outlook
- Several billion dollars worth of solar projects considering market, although several of them are being placed on hold due to financial uncertainty.

INTERNATIONAL PROSPECT GENERATION							
	<i>Prospects</i>	<i>Capital Investment</i>	<i>Payroll</i>	<i>Jobs</i>	<i>Av. Cap Investment</i>	<i>Average Wage</i>	<i>Av. Job Creation</i>
<i>2005-2006</i>	14	\$135.7M	\$54.19M	1,015	\$9.7M	\$ 53,390	73
<i>2006-2007</i>	8	\$61.5M	\$60.4M	1,245	\$7.69M	\$ 48,514	156
<i>2007-2008</i>	27	\$929.31M	\$123.02M	3,008	\$34.42M	\$ 40,898	111

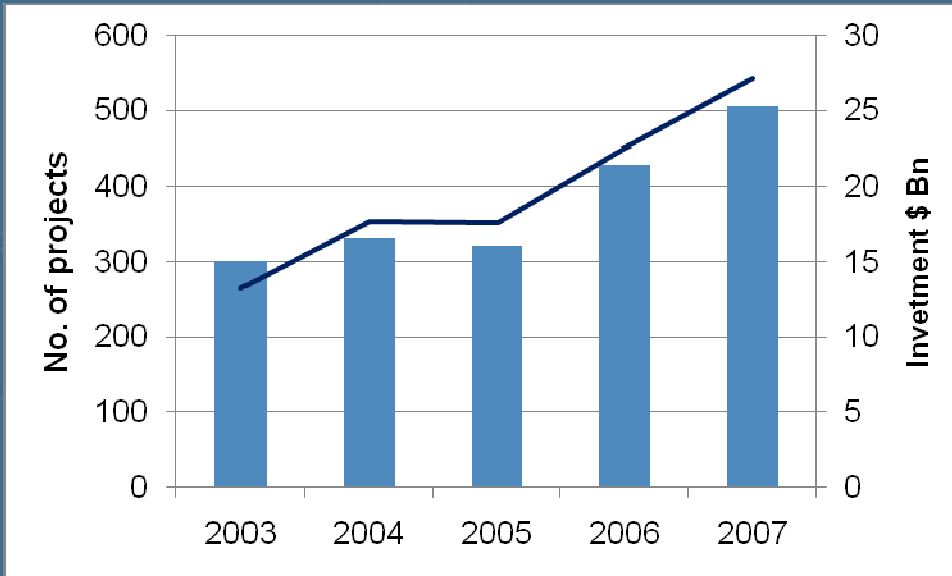
International Performance Overview - Locates

- A little more than 1/3 of jobs created last year through GPEC were tied to the international program. We expect up to half of GPEC's job performance in FY 2009 to be related to international jobs.
- Good projects internationally, yet it remains difficult to convert prospects into locates due to a need to strengthen our competitiveness.
 - Deal closing ability
 - Direct flights
 - Catching up

INTERNATIONAL LOCATE ACTIVITY

	<i>Locates</i>	<i>Countries</i>	<i>Capital Investment</i>	<i>Payroll</i>	<i>Jobs</i>	<i>Av. Cap Investment</i>	<i>Average Wage</i>	<i>Av. Job Creation</i>
<i>2005-2006</i>	1	Canada	\$1.0 M	\$2.5 M	40	N/A	\$62,500	N/A
<i>2006-2007</i>	2	Canada Germany	\$2.75 M	\$2.25 M	55	\$1.38M	\$40,909	28
<i>2007-2008</i>	5	UK Germany	\$13.0 M	\$43.9 M	1,033	\$2.6M	\$42,498	207

Growing investment from Europe not adequately captured in Arizona



Source: Financial Times FDI Markets/OCO Consulting

In 2007, around 60% of all investment into the US came from Western Europe.

The average contribution of total US FDI from Europe in the last 5 years is 55% and has shown growth in recent years. In project numbers, this averages at 373 projects per year for US as a whole.

Arizona's declining job growth is dramatic. Ranking 1 or 2 in national job growth from 2004-2006, the state dipped to 19th in 2007 and then 47th in May of 2008.



Source: U.S. Bureau of Labor Statistics

FDI Activity into the US from Europe

Source countries	2003	2004	2005	2006	2007	Total 2003-07
UK	56	79	84	97	107	423
Germany	84	78	67	86	106	421
France	25	34	49	57	67	232
Switzerland	18	11	14	26	31	100
Netherlands	19	13	18	14	24	88
Spain	10	11	5	15	26	67
Sweden	9	10	13	16	17	65
Italy	9	10	17	15	12	63
Denmark	4	14	5	9	14	46
Finland	6	6	7	9	8	36
* Other Countries	20	16	12	32	39	119
TOTAL	260	282	291	376	451	1,660

Source: Financial Times fDI Markets
 *excludes Retail and Extraction projects

United Kingdom - The ICT sector represents nearly 1/3 of the projects out of the United Kingdom

Germany - Since 2003, German projects have created over \$16B in investments in the United States and over 30,000 jobs.

The Netherlands - Over 1/3 of the 106 Dutch FDI projects come from the ICT & Electronics Industry and from Physical Sciences. Additionally, there has been \$7.9B in capital investment in the energy industry.

Spain - Nearly 15% of Spain's projects have been in the environmental technology industry which includes solar technology. Spanish projects have been valued at over \$3B.

Canadian FDI to US 2003-2007

- Since 2003, there have been 331 foreign investment projects from Canada.
- These projects have created over \$11.9B in investments in the United States and more than 15,000 jobs.
- Over half of these projects have occurred in five industry clusters.

Top Industry Clusters for Canadian FDI			
Industry	Number of Projects	Capital Investments	Jobs
ICT & Electronics	52	\$12.00	1,030
Physical Sciences	36	\$438.00	699
Food, Beverages & Tobacco	32	\$322.32	1,596
Industrial	32	\$218.40	864
Life Sciences	32	\$63.70	223

Source: LOCO Monitor

Moving Forward

FDI's Role in Greater's Phoenix's Economic Comeback

- **Build on traditional economic development model**
- **Continue to leverage AGN contractors to deliver solid lead generation pipeline**
 - United Kingdom
 - Germany
 - Canada
 - Mexico and Latin America
- **Launch an aggressive campaign to capture the emerging international renewable energy activity.**
- **Take advantage of proximity to California – top market for FDI and fourth largest solar market in the world.**
- **Develop solid toolkit to increase deal closure activity**
 - Renewable Energy Program

Tactics to Capture FDI Activity

- **Contractors Abroad**
 - **OCO (Europe)**
 - **ROI (Asia and Japan)**
 - **CIDEP (Canada)**
- **Sales Missions**
 - **Dubai**
 - **Canada**
 - **Germany**
 - **Spain**
 - **United Kingdom**
- **Marketing Campaigns and Earned Media**
- **Targeted Sales**
- **Site Selection Network**
- **Executours (Super Bowl, FBR, Fiesta Bowl)**

GPEC Next – Building on traditional business development model

- **Move from place based marketing to a knowledge asset approach**
- **Identify and develop specific value proposition and programs for disruptive emerging industries.**
- **Continue site selection and brokerage relationships while also employing strategies to meet CEOs and senior leadership of target companies.**
- **Solve problems for clients rather than merely selling the strengths of the region.**
- **Partner aggressively with other organizations that can add value in attracting and recruiting international companies. (Workforce Boards, Universities, Community Colleges, AZIGG, etc.)**

Leveraging AGN Contractors

- Secure additional funding for contractors
- OCO identified 400 companies of interest resulting in 67 bonafide leads, 7 bonafide prospects in the first year of contract activity

Potential Outcome: Increased Funding for Contractor Model

	\$500,000	\$1,000,000	\$1,500,000
Locates	1-3	2-6	3-9
Jobs Per Contractor Site	10-50	20-100	30-150
Total Jobs	40-200	80-400	120-600
Average Investment	\$18.4 M	\$18.4 M	\$18.4 M
Average Wage	\$47,431	\$47,431	\$47,431
Total Investment	\$18.4 M - \$55.2 M	\$36.8 M - \$110.4 M	\$55.2 M - \$165.6 M
Return on Investment	37:1 – 110:1		

Market Targets: AGN, GPEC, and Phoenix Global Trade Initiative

Leverage shared targets to increase synergies and deliver solid lead generation pipeline.

- Review GPEC target markets and industries to ensure we are pursuing the right markets to take advantage of our strengths. GPEC target markets are likely to include Germany, Spain, Dubai, UK, Canada and the Netherlands.
- PGTI is currently focusing on Dubai, Chile, UK, Israel and Italy
- AGN is focusing on Germany, UK, Canada, Mexico and Latin America.

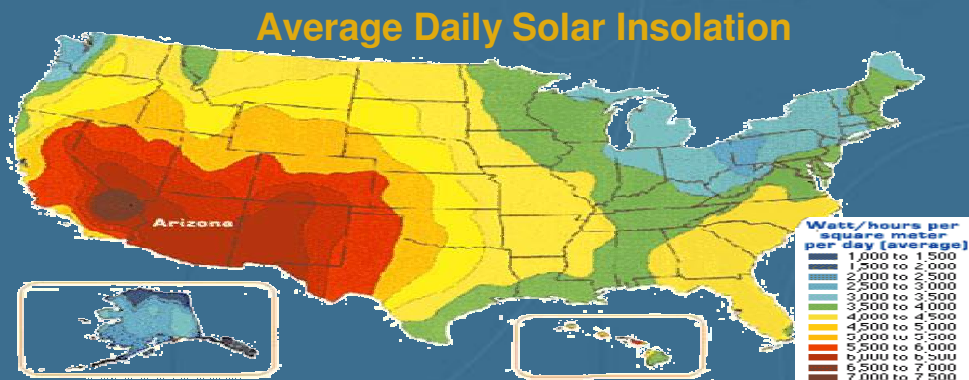
GPEC Program Integration



The Solar Opportunity

Unique Value Proposition: Favorable Business Climate

- 62,000 new jobs in the solar industry by 2015
- Proximity to the world's 4th largest solar market in California
- Marketing favorable cost of doing business.
- Semiconductor workforce is key component in PV industry. Phoenix has 4th strongest semiconductor market in the world.
- Numerous solar assets such as PTL, Advanced PV Center and Solar Power Laboratory.
- Promoting Renewables Portfolio Standard of 15% of electricity for state from renewable sources by 2025.
- Current solar pipeline valued at investment in the billions of dollars and represents significant market diversification in projects including generation, distribution, manufacturing, and headquarters.



Market Opportunities for Energy Companies

Arizona State University: A Leader in Sustainability and Solar PV Research

Photovoltaic Testing Lab

- Only U.S. lab accredited for PV design qualification and type approval

Advanced Photovoltaic Center

- Focuses on disruptive and revolutionary technologies for power conversion based on non-traditional ultra-high efficiency, low-cost solar cells.

Solar Power Laboratory

- Will boost Arizona's renewable energy industry through advancing solar energy research, education and technology.



Solar Lessons from Germany and Spain

- **Aggressive feed-in tariffs with guaranteed megawatt purchases created demand for solar.**
- **Shrinking markets and the feed-in tariff reduction are driving European firms to consider the US, Africa, and Far East.**
- **The numerous components and opportunities are inexorably linked and feed one another.**

Renewable Energy Program

Qualifying Criteria

- Firm must offer 80% healthcare coverage.
- Must pay 125% of the median state wage in Arizona.

Benefits

- Income tax credit of 10% of capital investment.
- Real and personal property tax reclassification of 80% for 10 – 15 years.

Other Details

- Applies only to new relocations or expansions.
- Tax credits to be used (or transferred) in equal installments over five years.
- Benefits to be clawed back if company commits fraud or leave states within 10 years of initial benefit.

Competitor Market Strategy - California

Why California?

- Topped the country in FDI projects in 2007 with 41 projects.
- More than 30% of GPEC's prospects sourced in California (FY 2002-07).
- The 6th largest economy in the world at \$1.7 Trillion.
- Increasing business costs, the threat of natural disasters, and other social and economic factors compel many California businesses to examine external options.

Action Items

- Focused selling strategy to solar, bioscience, ICT, and other targeted industries.
- Strengthen site selection relationships and develop CEO relationships
- Participate in industry associations
- Reach out to international firms, foreign consulates, and world trade centers
- Plug into the emerging tech activity (VC, university tech transfer offices, clean tech, etc)

Outcomes

- Four sales missions thus far in FY09
- 12 prospects generated

Cost of Doing Business Comparison

Greater Phoenix vs. Los Angeles vs. San Francisco vs. San Diego

	Greater Phoenix	Los Angeles	Cost Difference Greater Phoenix vs. Los Angeles	San Francisco	Cost Difference Greater Phoenix vs. San Francisco	San Diego	Cost Difference Greater Phoenix vs. San Diego
Labor							
Mean Wage	\$40,893	\$47,791	18% lower	\$55,978	30% lower	\$47,764	18% lower
Workers Compensation (per \$100)	\$1.73	\$4.13	58% lower	\$4.13	58% lower	\$4.13	58% lower
Unemployment Insurance (cost per employee)	\$140.00	\$238.00	41% lower	\$238.00	41% lower	\$238.00	41% lower
Real Estate							
Commercial Lease Rates							
<i>Office</i>	\$26.67/SF	\$35.00/SF	24% lower	\$17.92/SF	30% lower	\$33.12/SF	19% lower
<i>Industrial</i>	\$6.50/SF*	\$12.00/SF	46% lower	\$12.25/SF	47% lower	\$13.00/SF	50% lower
Median Home Price	\$222,200	\$459,400	52% lower	\$701,700	68% lower	\$459,000	52% lower
Utilities							
Electric Rates (monthly)							
<i>Commercial</i>	\$26,353	\$50,745	48% lower	\$52,430	50% lower	\$50,745	48% lower
<i>Industrial</i>	\$94,200	\$160,500	41% lower	\$124,350	24% lower	\$161,250	42% lower

Questions

Thank You for Your Time!

Rodrick T. Miller
Vice President, International Economic Development
Greater Phoenix Economic Council
rmiller@gpec.org
602.262.8611