

CORPORATE SITE SELECTION TRENDS AND INSIGHTS RELEVANT TO CONNECTICUT

Presented at:

**UIL Holdings Corporation Economic Development
Conference**

October 16,2014

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In association with WDG Consulting

OUTLINE

- INTRODUCTION
- GENERAL LOCATION STRATEGY FACTORS
- REGIONAL CONTEXT SETTING
- TRENDS, LOCATION FACTORS AND REGIONAL IMPLICATIONS :
THREE SELECTED CLUSTERS
 - ADVANCED MANUFACTURING & MATERIALS
 - BIOMEDICAL / LIFE SCIENCES
 - BUSINESS AND FINANCIAL SERVICES
- RECAP
- Q & A

Background

- Principal, LFM Corporate Location Solutions
- 30 years corporate location strategy and site selection experience
- Former Director, Global Location Strategy, Hewlett-Packard Company Project and team leadership at Deloitte Consulting and PHH Fantus for corporate location consulting
- Work across most industries and corporate functions, and economic development
- Connecticut-based projects / experience

General Location Strategy Factors

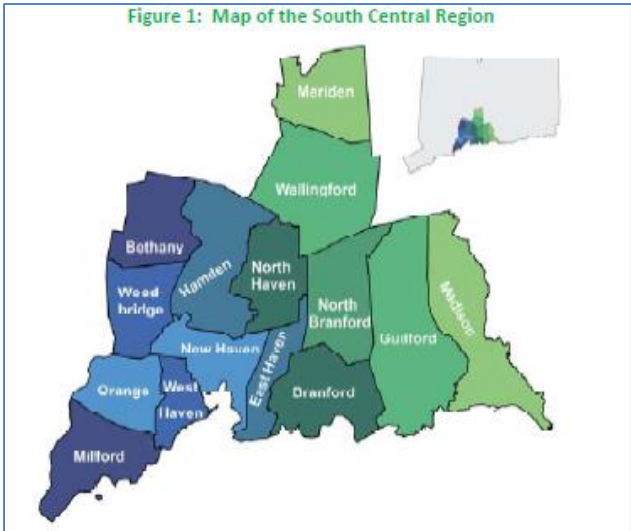
Finding the 'best' locations for conducting the business of the enterprise / factors vary by corporate function

- Headquarters
- Marketing and Sales
- R&D / Engineering
- Knowledge Centers
- Shared Services
- Customer Support
- Manufacturing / Assembly
- Warehousing / Distribution
- Outsourced (BPO, ITO)



Context: Greater New Haven Area

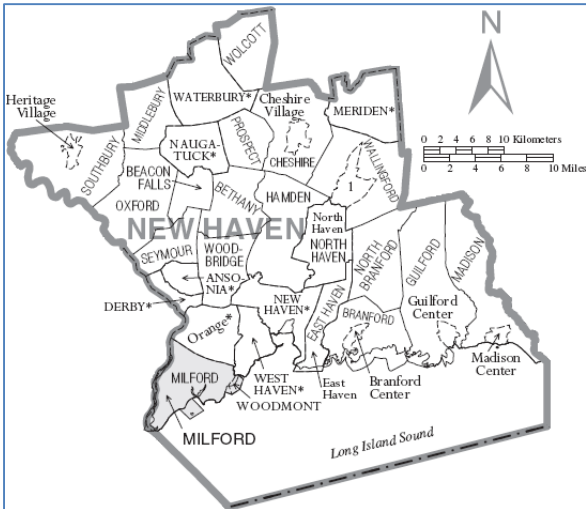
Figure 1: Map of the South Central Region



Source, Map: South Central Connecticut 2013-18 Comprehensive Economic Development Strategy

Basic Demographic Data: New Haven Metro

	<u>New Haven-Milford, CT Metropolitan Statistical Area</u>	<u>Connecticut</u>	<u>The United States</u>
Population			
2000	823,987	3,405,569	281,421,942
2014	862,425	3,596,421	317,199,353
2019	863,790	3,622,420	328,309,464
% Change			
2000-2014	4.7%	5.6%	12.7%
Projected 2014-2019	0.2%	0.7%	3.5%
Age			
Median Age			
2014	39.8	40.5	37.7
2019	40.9	41.6	38.6
Education (2014)			
Total No High School Diploma	12.0%	11.1%	14.3%
Total 4-Year and Above	32.5%	36.0%	28.4%
Median Years Education	13.4	13.6	13.3
Income			
Per Capita, 2014			
	\$31,759	\$36,088	\$27,018
Commutation			
Average Commute (min)			
	26.5	27.2	27.9



	<u>New Haven-Milford, CT Metropolitan Statistical Area</u>	<u>Connecticut</u>	<u>The United States</u>
Labor Force (2014)			
Working Age Pop (Ages 16-64)	567,774	2,361,908	206,629,021
Civilian Labor Force	475,914	1,979,240	160,675,780
Employed	437,365	1,824,859	148,785,772
Unemployed	38,549	154,381	11,890,008
Rate (2013)	8.1%	7.8%	7.4%
Rate (May 2014)	6.7%	6.4%	6.3%
Percent Blue-Collar	18.3%	17.0%	20.4%
Percent White-Collar	63.3%	65.1%	60.7%
Percent Service & Farm	18.4%	17.9%	18.9%

Source, US Census data, as compiled by Wadley Donovan Gutshaw Consulting

Context: Greater New Haven Area

Salaries & Index						
Title	Code	New Haven, CT MSA	Index (US=100)	NY-NJ MSA	Index (US=100)	United States
Compensation Manager	11-3111	\$44.72	92	\$63.42	130	\$48.79
Purchasing Agent	13-1023	\$30.90	108	\$32.07	112	\$28.74
Accountant	13-2011	\$32.71	105	\$38.54	123	\$31.29
Financial Analyst	13-2051	\$37.14	99	\$46.65	124	\$37.68
Computer Programmers	15-1131	\$33.25	91	\$40.70	111	\$36.60
Biomedical Engineers	17-2031	\$46.37	109	\$43.09	101	\$42.63
Electrical Engineers	17-2071	\$40.94	95	\$46.05	107	\$42.88
Electronics Technician	17-3023	\$27.82	99	\$30.30	108	\$28.15
Biologist	19-1029	\$35.88	103	\$38.39	110	\$34.96
Medical Records Technician	29-2071	\$23.92	142	\$21.59	128	\$16.81
Retail Salespersons	41-2031	\$10.32	102	\$10.76	106	\$10.16
Advertising Sales Agents	41-3011	\$21.48	98	\$31.58	143	\$22.03
Financial Services	41-3031	\$60.05	172	\$62.40	179	\$34.92
Bill Collector	43-3011	\$20.44	129	\$19.71	125	\$15.83
Accounting Clerk	43-3031	\$19.97	116	\$20.26	118	\$17.18
Customer Service Representatives	43-4051	\$16.53	111	\$17.63	119	\$14.84
Secretaries	43-6014	\$18.59	118	\$18.76	119	\$15.79
Industrial Machinery Mechanics	49-9041	\$19.83	86	\$25.97	113	\$23.03
Computer-Controlled Machine Tool Operators, Metal & Plastic	51-4011	\$16.91	98	\$19.28	112	\$17.26
Industrial Truck & Tractor Operators	53-7051	\$15.05	102	\$15.35	104	\$14.77
Packers & Packagers, Hand	53-7064	\$10.90	114	\$9.45	98	\$9.60
Material Movers	53-7199	\$12.65	76	\$17.09	103	\$16.64

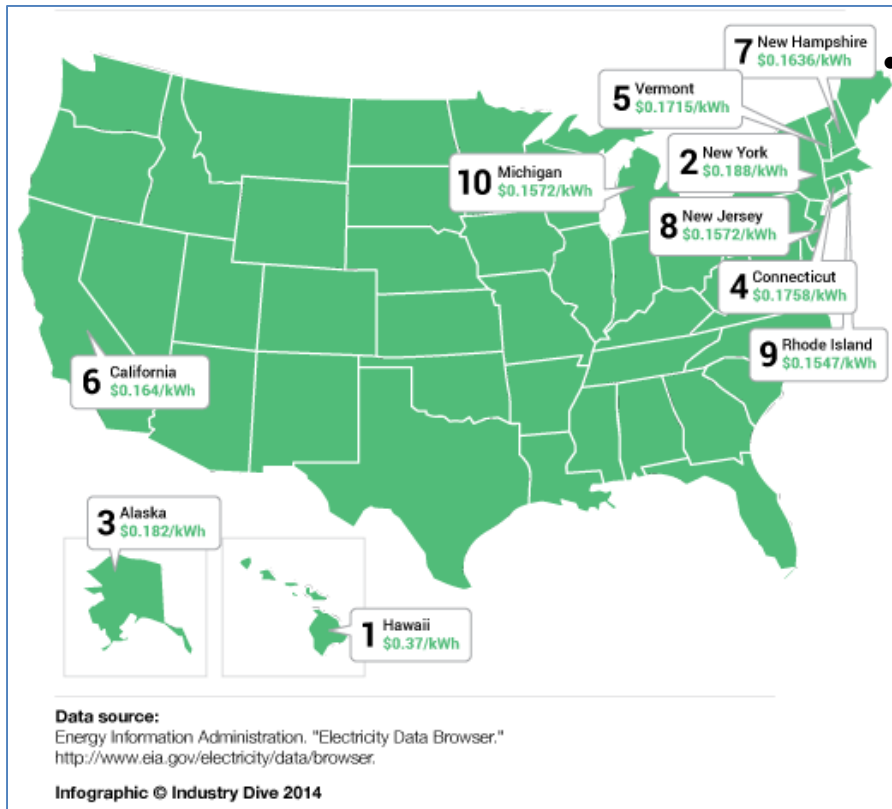
Source, US Census data, as compiled by Wadley Donovan Gutshaw Consulting

Context: Greater New Haven Area

Rankings (Connecticut)		
Source	Title	Connecticut
Chief Executive Magazine	2013 Best & Worst States for Business State Rankings	45
CNBC	2013 Americas Top States for Business	45
Forbes	2013 Best States for Business	33
Institute for Legal Reform	2012 State Liability Systems Survey	25
Tax Foundation	2014 State Business Tax Climate Index Ranks and Component Tax Ranks	42
Bond Rating	2012 S&P State Bond Ratings	AA
Electric Rates		
Commercial	CT Light & Power	17.01
	United States	10.21
Industrial	CT Light & Power	14.34
	United States	6.71
Cost of Living		
ACCRA		129
Sperlings		121

Source, US Census data, as compiled by Wadley Donovan Gutshaw Consulting

Focus on Electricity Costs



High electricity Costs, though in same playing field as Northeastern State competitors such as

- New York
- New Hampshire
- New Jersey
- Rhode Island
- Massachusetts average just under 15 cents / kWh

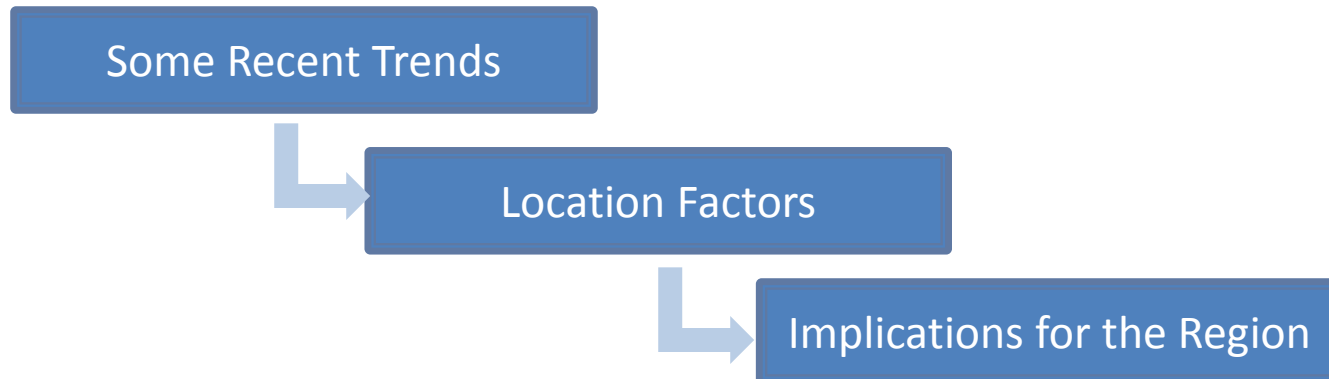
Sound Bites: Corporate Site Seeker's Perspective

On The Plus Side	Concerns
<ul style="list-style-type: none">• Strategic Location• Extensive, broad and deep talent and skilled labor pool and significant company base• University /higher education cluster• Favorable business costs within urban Northeast context• Quality of Life Appeal• Reliable power and telecom• Reasonable sites / building inventory• Good economic development track record and incentive programs	<ul style="list-style-type: none">• High business cost perception nationally• High state taxes• Cost of living (varies by region from very high to moderate)• Limited specific reputation...often lumped with SW Connecticut• ...broad statistical data incorporated into New York consolidated metro, covering 4 states (and displaying high costs and other agglomerated data)• Cost of living• Absence of Economic Development rider (Electricity)

Focus on Clusters

TRENDS AND KEY LOCATION FACTORS : THREE SELECTED CLUSTERS

- Higher Education
- Health Care
- **Advanced Manufacturing & Materials**
- **Biomedical / Life Sciences**
- Arts, Entertainment and Tourism
- **Business and Financial Services**
- Agribusiness / Agribiosciences



Advanced Materials & Manufacturing

South Central Connecticut Definitions and Scope per CEDS:

Figure 6: Manufacturing

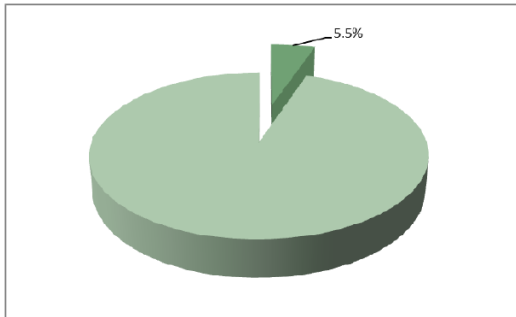


Table 3: Snapshot of Cluster Dynamics—Manufacturing

Employment (2010)	19,090
Location Quotient (U.S. = 1.0)	1.31
Establishments (2010)	703
Location Quotient (U.S. = 1.0)	2.11
Wages (Annual)	\$64,227

Industry Segments (NAICS):

- Primary Metals
- Fabricated Metal Products
- Machinery
- Computers & Electronics
- Electrical Equipment
- Appliances / Components
- Transportation Manufacturing

Figure 7: Advanced Materials

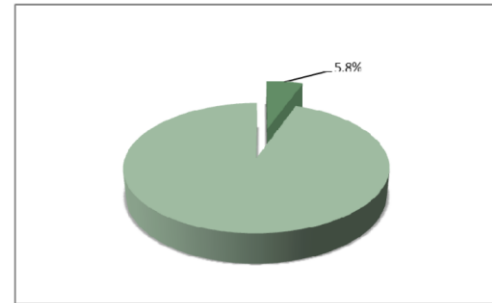


Table 4: Snapshot of Cluster Dynamics—Advanced Materials

Employment (2010)	19,895
Location Quotient (U.S. = 1.0)	1.56
Establishments (2010)	707
Location Quotient (U.S. = 1.0)	2.00
Wages (Annual)	\$71,787

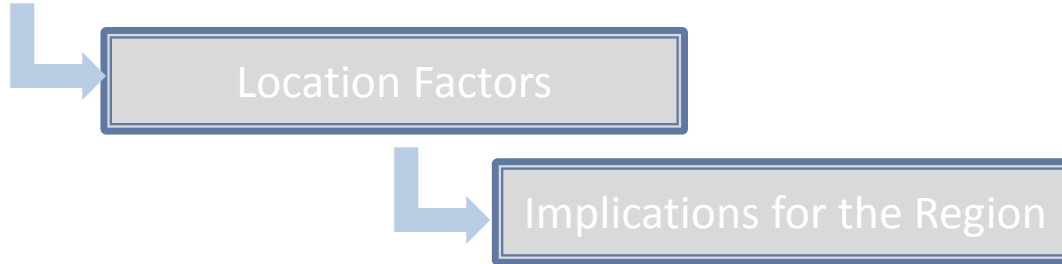
Industry Segments (NAICS):

- Primary Metals in conjunction with:
- Pharmaceutical and Medical
- Basic Chemistry
- Electronic Components
- Rubber and Plastics

Source, Graphics, data and definitions: South Central Connecticut 2013-18 Comprehensive Economic Development Strategy

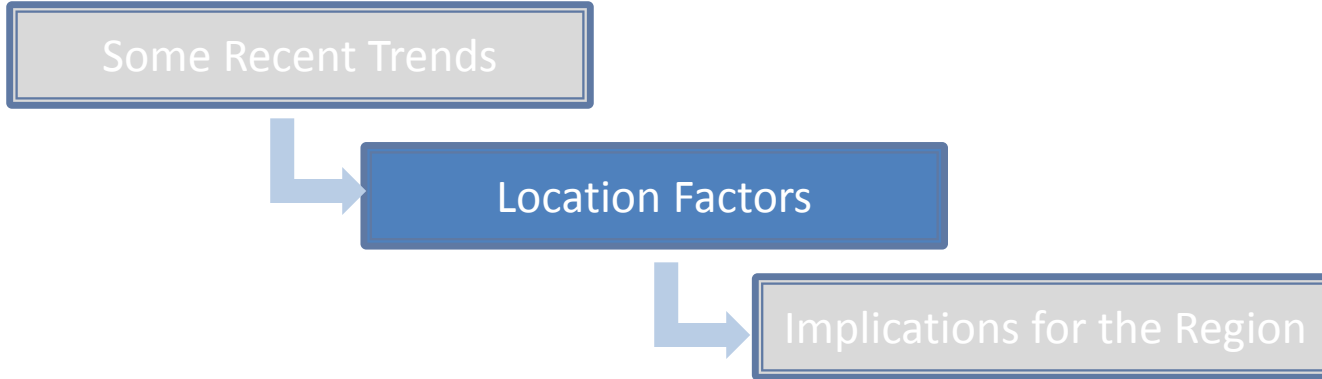
Advanced Manufacturing & Materials

Some Recent Trends



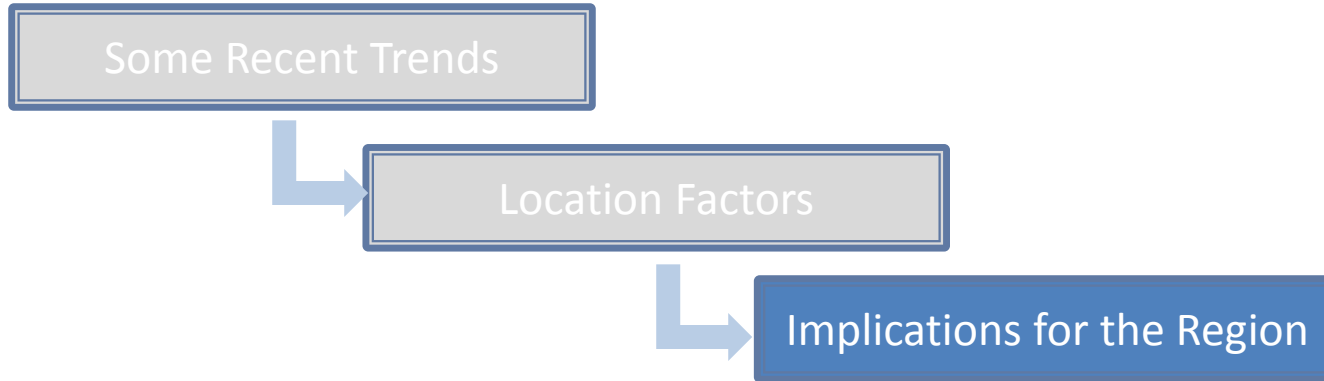
- American resurgence as a manufacturing region
- Emphasis on highly skilled workers and engineers (e.g., metallurgy)
- “Customized Solutions” rather than “Products”
- Lean manufacturing continue to emphasize cost, operational efficiencies, optimal supply chain

Advanced Manufacturing & Materials



- Supply chain
- Depth / breadth of specialized and flexible skills, both manufacturing and engineering
- Metallurgical /material science university programs
- ‘Metal-working/ making things’ work mindset
- Labor Climate / Tax Climate / Other regulatory considerations
- Sites – certified, environmentally suited / delivery time
- Infrastructure: power (elec. /gas), process water
- Underlined by COSTS

Advanced Manufacturing & Materials



- Better suited for high value / customized solutions less sensitive to transportation for domestic market
- Suited for engineering and corporate offices of advanced manufacturing and materials companies
- Skills and experience mix well suited
- Linkages with defense industry which has strengths in-state
- Improving natural gas cost position, though not uniquely positioned
- Tax climate a constraint for some projects
- Labor costs may be within value parameter...regionally competitive
- Electricity costs and offsets while regionally in line may not be within the value parameter in a national search

Biomedical / Life Sciences

South Central Connecticut Definition and Scope per CEDS:

Figure 8: Biomedical/Life Sciences

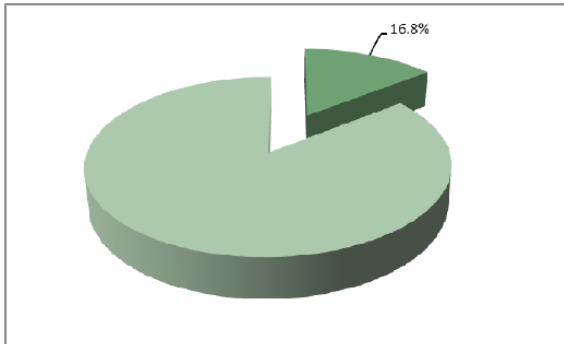


Table 5: Snapshot of Cluster Dynamics—Biomedical/Life Sciences

Employment (2010)	58,089
Location Quotient (U.S. = 1.0)	1.53
Establishments (2010)	1,021
Location Quotient (U.S. = 1.0)	1.29
Wages (Annual)	\$53,107

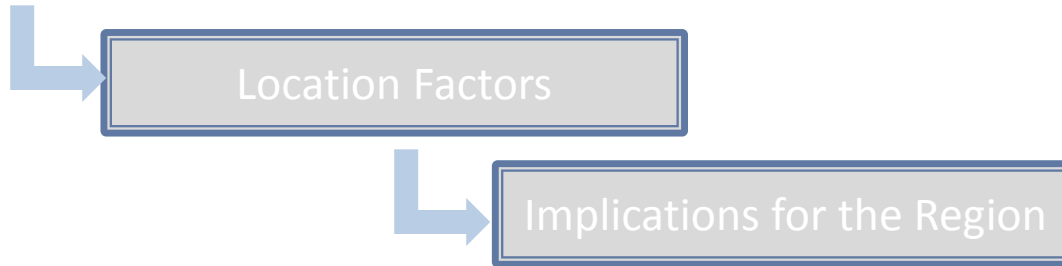
Components and Partners:

- Large pharmaceutical companies
- Small start-ups
- CRO's
- Develop drugs, therapies, devices
- Essential linkages / partnerships with universities, health care. Insurance cos, and large pharma. Companies

Source, Graphics, data and definitions: South Central Connecticut 2013-18 Comprehensive Economic Development Strategy

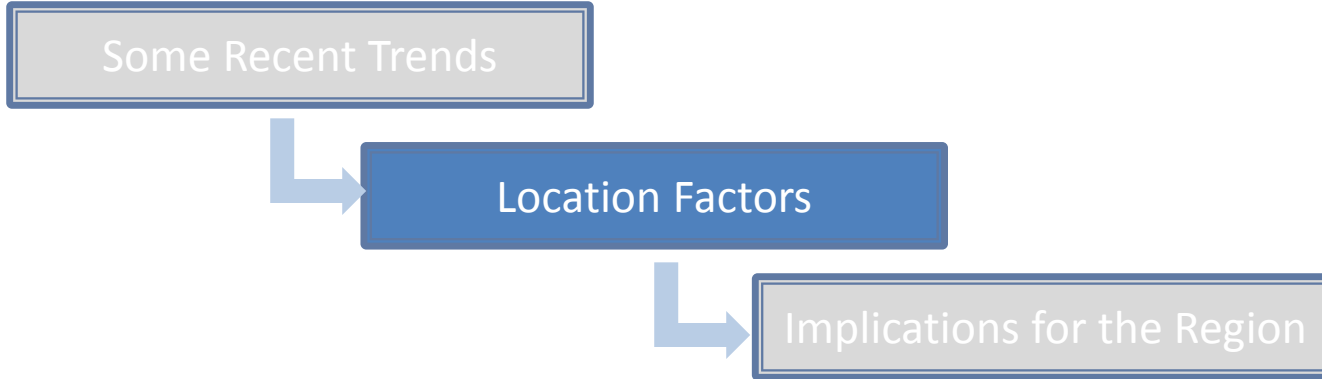
Biomedical / Life Sciences

Some Recent Trends



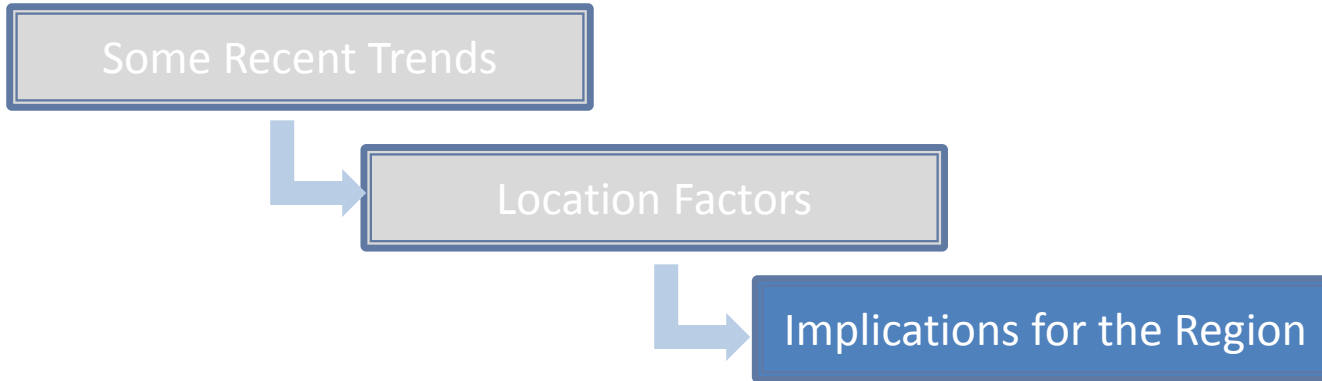
- Apparent end (or at least hold) of Blockbuster era
- Flexibility in manufacturing scale, moving towards smaller scale personal solutions sometimes with smaller footprint investments
 - And availability of older, out of date physical plants
- R&D and biologics manufacturing remaining in traditional geographic locations (Northeast / Midwest / California / NW Europe)
- Insurance / health policies influence sales/ops, R&D more than manufacturing
- Some evidence of bringing biologics capacity back in-house
- Device industry synergies with advanced manufacturing / materials

Biomedical / Life Sciences



- Talent / Cluster Synergies
- Time to market (available sites, approvals, development, etc.)
- Insurance / Provider / Health Care Delivery Protocols
- Minimize Risk
- Infrastructure
- Supply chain

Biomedical / Life Sciences



- Track record of current players...an established location and perceived less risk / time to market
- World class educational and university infrastructure
- Strong talent base
- Quality of life to attract leading talent
- And within broader Northeast life sciences innovation region
- ...though perhaps less on radar than some other regional locations
- Tax environment (US more than State) drive plays to places like Ireland

Business and Financial Services

South Central Connecticut Definitions and Scope per CEDS:

Figure 10: Business & Financial Services (Professional)

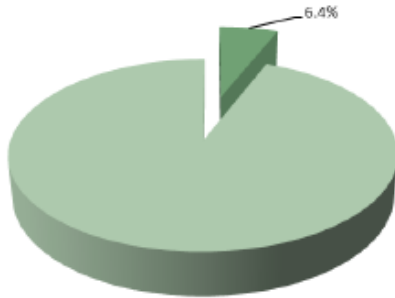


Table 7: Snapshot of Cluster Dynamics— Business & Financial Services (Professional)

Employment (2010)	22,248
Location Quotient (U.S. = 1.0)	0.73
Establishments (2010)	3,221
Location Quotient (U.S. = 1.0)	0.91
Wages (Annual)	\$83,622

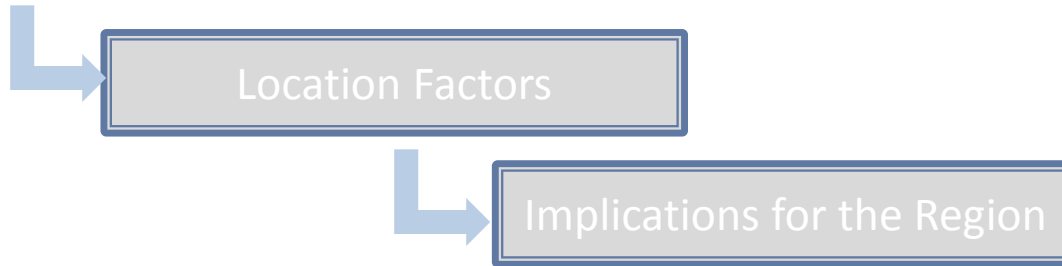
Industry Segments (NAICS):

- Accounting, Auditing, Bookkeeping, Tax Filing
- Credit Reporting & Collections
- Holding Companies
- Investment Offices (not including Banks and Brokerage)
- Real Estate / Leasing Operations
- Advertising
- Photography
- Employment and Temporary Agencies
- Professional Services
 - Legal
 - Engineering, Architectural, Surveying
 - Commercial Trading
 - Public Relations
 - Research
 - Management Consulting
 - Business Consulting

Source, Graphics, data and definitions: South Central Connecticut 2013-18 Comprehensive Economic Development Strategy

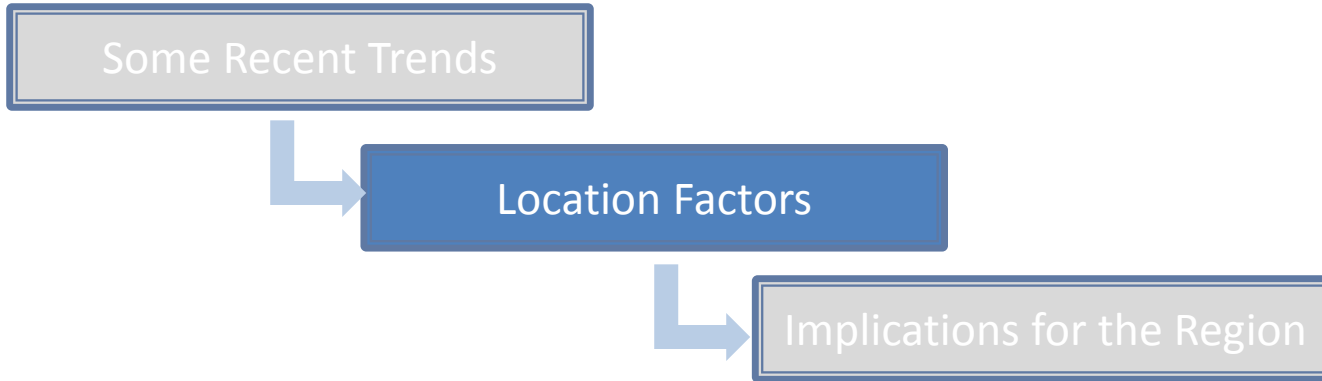
Business and Financial Services

Some Recent Trends



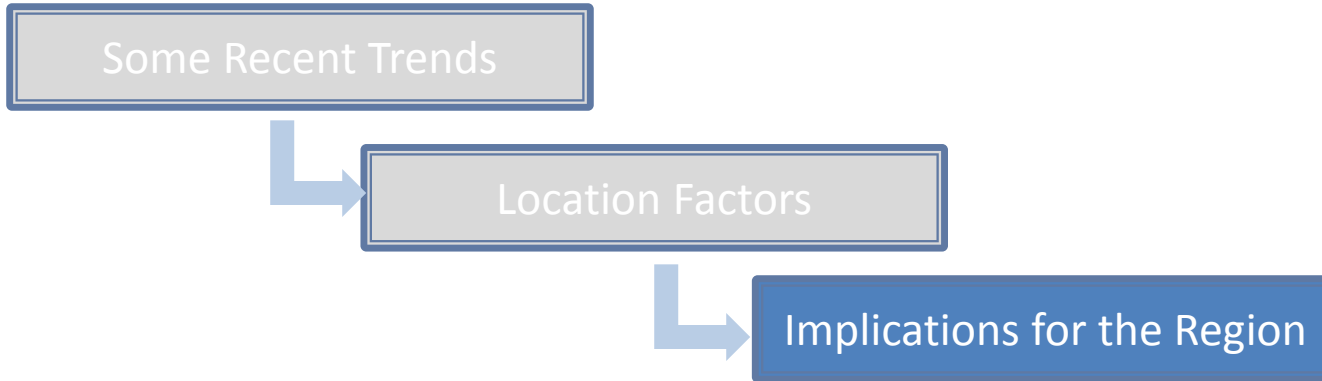
- Shared services transformation to corporate knowledge centers
- Re-shoring strategies
- Multi-lingual, global delivery
- Ongoing waves of corporate mergers and acquisitions
- Continued emphasis on regulatory oversight across multiple industries
- Merging of services and digital content
- Security, privacy, internet fraud
- Trend back towards working in the office / not at home

Business and Financial Services



- Labor market scale, depth, sustainability and flexibility
- Functional/ industry experience and specific skills, for example:
 - Accounting, legal and marketing skills
 - Process and technology skills
 - Customer facing skills
 - Some multi-lingual competencies
- Access and time zone
- Properties in desirable submarkets / convenient commuting
- Telecommunication
- Operating efficiencies and corporate 'synergies' / cost is bottom line
- Opportunities to develop markets
- Customer locations and SLAs (particularly in BPO, ITO, consulting)
- Off-setting incentives (particularly job related)

Business and Financial Services



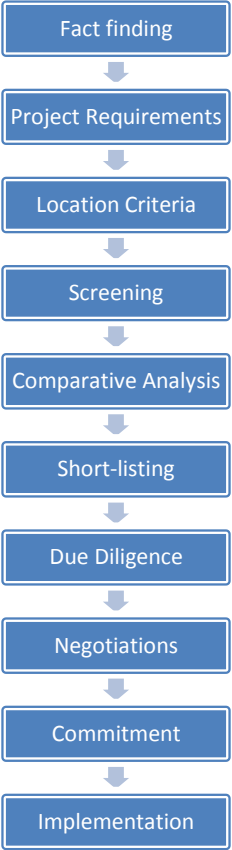
- Highly educated, diverse, and scalable workforce across functions and industries
- Some unique niches (e.g., architectural / design services)
- Linkages to health care / insurance industries, strong in Connecticut
- Telecommunications infrastructure
- Relatively short commutes / multiple submarkets
- Labor flexibility within a global perspective
- Location within Northeast corridor
- Labor costs may be in value parameter as skill / customer facing need increases
- Problematic international air access
- Perception as a higher cost market
- Business / tax climate may be constraints

Site Selection Decisioning Process

Aligning interests for a successful decision...



Roadmap for Actions



RECAP

- Location Strategy considerations
- South Central Connecticut overview / perceptions
- Focus on trends, factors and regional implications for some key clusters
- Decision context in companies
- [QUESTIONS?](#)

THANK YOU FOR YOUR TIME!

Further questions or for a copy of this presentation please contact me:

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Supporting Acknowledgements

- Industry Target data / Regional Map material sourced from South Central Connecticut CEDS
- Wadley Donovan Gutshaw Consulting – data and brainstorming
- UIL Holdings Corporation – for your kind invitation