

**SOUTH CAROLINA
DEPARTMENT OF COMMERCE
2001-2002 ACCOUNTABILITY REPORT**



TEAM SOUTH CAROLINA
We perform. You win.

Agency: South Carolina Department of Commerce

Submitted: Friday, September 13, 2002

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I. EXECUTIVE SUMMARY

I.1 Mission & Values

Mission

The South Carolina Department of Commerce is the economic development and industrial recruiting arm of the state. Each of the Department's fifteen divisions is focused, directly or indirectly, on bringing new capital investment and new jobs into the state.

Our mission:

... to increase the wealth of South Carolina's citizens – particularly as measured by per capita income and the number and geographic distribution of well-paid jobs – in a manner that supports and enhances a high quality of life.

It is our vision that South Carolina's economy will grow and diversify, providing South Carolinians of all ages and skill levels an opportunity to maximize their talents and abilities.

In order to accomplish our mission, Department leadership consistently stress the importance of:

- Teamwork;
- Professionalism;
- Professional Development;
- Dependability;
- Creativity;
- Quality; and,
- A Winning Attitude.

I.2 Strategic Goals

The following strategic goals for our core functions – the attraction of capital investment and new jobs - were developed.

- 1) Maintain a position of excellence over our Southeastern competitors on a per capita basis for capital investment and job creation from new and expanding industries.

- 2) Enhance the state's economy through the recruitment and development of technology intensive industry.
- 3) Increase the investment and job creation in rural South Carolina.
- 4) Increase the quality of the "economic product" in rural South Carolina through the creation of industrial parks and leadership development.
- 5) Increase the value of exports from South Carolina businesses.
- 6) Develop and implement a target marketing strategy for high-growth industries.

In addition, to these six strategic goals central to our core function, each of the support divisions have also developed measurable goals that reflect the effectiveness of their support functions.

I.3 Opportunities and Barriers

National Economy – The slowdown in the nation's economy, especially the manufacturing sector, heavily impacted the Department's ability to provide new opportunity for South Carolinians. As inventories built, less and less existing manufacturing capacity was being utilized, eliminating the need for new plants or expansions of existing plants. Across the country hundreds of thousands of manufacturing workers lost their jobs.

The slowdown in activity also afforded local development organizations the opportunity to look introspectively at their product and take steps necessary to position themselves to succeed when the economy gains steam.

As the economy begins to pick up steam new opportunities will present themselves. Plant closures have made skilled labor available and provided an inventory of useable industrial buildings.

Comprehensive Marketing Strategy – The economic downturn allowed the Department's Marketing Division to rethink and reformulate its marketing plan.

Legislation Passed to Support Economic Development – Legislation was passed increasing the bonded indebtedness from 5% to 5.5%, making \$250 million available for infrastructure related to major industrial projects (defined as \$400 million investment and 400 new jobs). The legislation puts the state on equal footing with other Southeastern states as it competes for major industrial projects.

State Economy – The textile industry, historically the backbone of South Carolina's economy, has been especially hard hit during the national manufacturing.

Budget Constraints – The agency’s budget was cut 2.9% during the year. The cut, and impending threat of additional cuts, has challenged Department leadership to operate more efficiently.

I.4 Major Achievements

Legislation – The legislature passed legislation allowing the state to increase its bonded indebtedness from 5% to 5.5% for economic development projects. Getting the Department’s budget through for 2003 as proposed.

Capital Investment – Despite the economic slowdown nationally, the state was still able to attract over \$5.25 billion in announced new capital investment and 21,937 announced new jobs.

Rural Activity – Nearly 30% of all announced capital investment and new jobs were in the state’s thirty non-MSA counties.

Completion of the Michelin Rail Spur - A rail spur for the Michelin Project in Anderson County overcame several physical problems and was completed ahead of schedule and below budget.

SECTION II BUSINESS OVERVIEW

II.1 Average Employment

FTE (Permanent) Employees	142
Temporary Employees	8
European Office	3 (1FTE and 2 contract)
Tokyo Office	3 (contract)
Division of Public Railways	37 (21 non union)
Total	193

II.2 Operations Locations

Main Office	1201 Main St., Suite 1700, Columbia, SC
Aeronautics Division	Columbia Metropolitan Airport
SC Public Railways Division	540 East Bay St., Charleston, SC
European Office	Munich, Germany

II.3 Expenditures/Appropriations Chart

Base Budget Expenditures and Appropriations						
Major Budget Categories	2002 -2001 Actual Expenditures		2002 - 2002 Actual Expenditures		2002 - 2003 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personnel Service	\$ 8,719,402	\$ 6,981,252	\$ 7,911,508	\$ 6,098,247	\$ 7,362,630	\$ 6,047,130
Other Operating	\$ 7,453,123	\$ 6,424,952	\$ 6,012,121	\$ 4,497,694	\$ 7,839,698	\$ 5,039,589
Special Items	\$ 678,285	\$ 423,492	\$ 8,134,239	\$ 2,596,572	\$ 1,646,000	\$ 746,000
Permanent Imp	\$ -	\$ -	\$ 10,800,000	-		
Allocations	\$ 61,926,829	\$ 7,500	\$ 63,730,212	\$ 12,500	\$ 86,875,000	
Fringe Benefits	\$ 2,054,506	\$ 1,676,858	\$ 2,120,332	\$ 1,570,267	\$ 1,795,629	\$ 1,470,329
Non -Recurring	\$ 100,000	\$ 100,000				
Total	\$ 80,932,145	\$ 15,614,054	\$ 98,708,412	\$ 14,775,280	\$ 105,518,957	\$ 13,303,048

Other Expenditures

Source of Funds	FY01 Actual Expenditures	FY02 Actual Expenditures
Supplemental Bills	\$ 1,117,553	\$ -
Capital Reserve Funds	\$ 1,265,000	\$ -
Bonds	\$ 8,198,443	\$ 3,734,871

II.4 Key Customers

The Department of Commerce’s mission is to create the wealth for all South Carolinians. We do that through a wide range of activities that serve a wide range of customers – first and foremost among which are businesses making location decisions.

- a) National and international businesses making a location decision;
- b) Existing industries within the state;
- c) Site selection consultants;
- d) Communities seeking jobs and investment; and,
- e) Government leaders of the state.

Other customers and their Department suppliers include:

Rail carriers	Division of Public Railways
State Ports Authority and its users	Division of Public Railways
Film, television, and print producers	State Film Office
Users of State and Federal grants	Coordinating Council for Economic Development
The citizens, leaders, and economic Development allies of Abbeville County	Savannah Valley Development
Citizens of Savannah Lakes Region	Savannah Valley Development

II.5 Key Suppliers

As is the case with customers, the Department of Commerce has a wide array of suppliers. The suppliers for our core business functions are:

- 1) Local economic development offices;
- 2) City, County, and State government bodies;
- 3) State agencies such as DHEC, the Department of Revenue, the Center for Advanced Technology Training, the State Ports Authority, etc.;
- f) Utilities, contractors, financial institutions, and other economic development allies.
- 4) Property owners; and,
- 5) Businesses, world-wide, and site location consultants.

Other suppliers and their Department Customers include

FAA	State Aeronautics Division
Airport contractors and consultants	State Aeronautics Division
South Carolina Film Crews	State Film Office
Railroad vendors	Public Railways Division
General Assembly	Coordinating Council for Economic Development & CDBG
Federal government	Coordinating Council for Economic Development & CDBG
Abbeville County officials & Legislative delegation	Savannah Valley Dev. Division
Land Development Companies	Savannah Valley Dev. Division
Potential buyers of lakefront property	Savannah Valley Dev. Division

II.5 Major Products and Services

Products

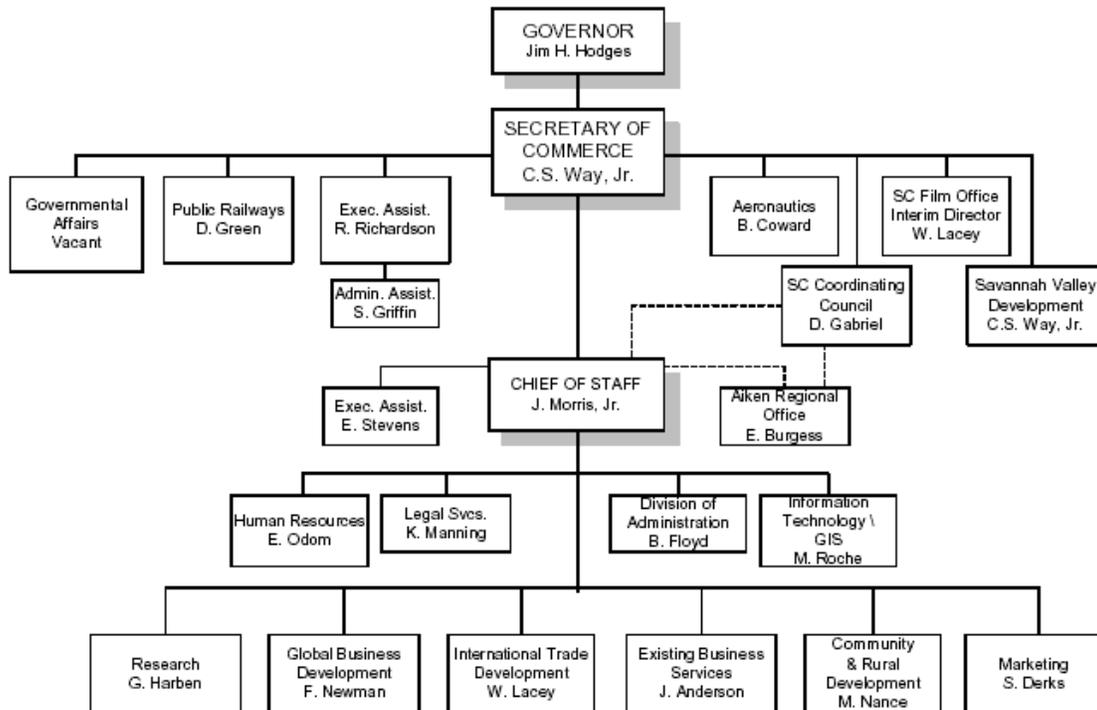
- Customized publications outlining South Carolina advantages for businesses and consultants making a site location decision.
- Business research publications

- Directories that list companies by product and include address, contacts and employment
- TeamSC website
- State and Federal grants for housing, airport development and economic development
- Resort property
- Rail spurs

Services

- Marketing and sales representation
- Existing industry information and issue resolution
- Assistance to employees laid off due to economic downturn.
- Industry research
- Site location assistance
- Strategic planning facilitation
- Local product development assistance for traditional and film industry
- Trade research and development of trade opportunities
- Film industry development, promotion and education
- Film location scouting assistance
- Airport development funding and assistance
- Rail service
- Coordination of financial and contract issues for Lake Russell Project

II.6 Organizational Chart



Rev. 8/30/02

III. MALCOLM BALDRIDGE PERFORMANCE EXCELLENCE STANDARDS

Category 1 - Leadership

1.a – f Senior leadership at the Department of Commerce, consisting of the Secretary of Commerce, Charles S. Way, Jr., the Chief of Staff, Jim Morris, and the directors of the various divisions, are focused on the agency's core function, creating new jobs in South Carolina. We are fortunate that the State's leadership; i.e., the Governor and the Legislature, continue to recognize the importance of that core function to the overall state's economic health. As a result of the long-term consistency in our mission, a culture exists throughout the organization that puts an emphasis on success and achieving our goals. Expectations and performance measures are relayed directly to employees through annual evaluations each February. In addition, less formal communication occurs regularly between workers and their supervisors.

The leadership of the Department understands the importance of innovation in order to compete for jobs and capital investment and their actions speak for themselves. They have supported agency efforts to use the latest technology to communicate with customers in the quickest, most effective manner possible. (See Category 3.3 for specific examples.)

1.2. The Department of Commerce is a very customer-focused organization and that tone is set at the very highest levels of the organization.

- a) The Secretary and/or the Chief of Staff regularly adjust their calendars to visit our ultimate customers – business and industry – in order to clear hurdles and set the tone on behalf of the state.
- b) The Department coordinates the state's Industry Appreciation Week. The Secretary, Chief of Staff, and many of agencies directors travel to each of the counties to support local functions honoring existing industry, not only during the week, but throughout the year.
- c) The Secretary and Chief of Staff meet with regularly with local leadership to discuss what can be done to improve the processes the lead to swaying a location decision.
- d) The Secretary and Chief of Staff consider it their responsibility to meet with legislators to keep them informed.

1.3. Agency level performance measures reviewed by senior leadership include:

- Capital Investment;
- Job Creation;

- Investment by new businesses;
- Job creation by new businesses;
- Investment by existing businesses;
- Job creation by existing businesses;
- Percent of announced capital investment relative to southeastern competitors;
- Percent of announced new jobs relative to southeastern competitors;
- Investment in rural (non-MSA counties)
- Job Creation in rural (non-MSA counties)
- Total announced technology jobs;
- Product development; i.e., industrial park development, community technical assistance;
- Percentage growth in value of exports;
- Value of exports per manufacturing employee in the state;
- Compliance with federal guidelines for grant application and administration;
- Public Railways keeps close track of injury rates;

1.4 During the past fiscal year a Jim Morris was appointed as the Department's new Chief of Staff. He made a point of participating in agency-wide meetings and Baldrige training sessions. These forums provided him the opportunity to learn more about individual Division goals and provide informal, yet meaningful feedback on where resources should be focused and how they can be focused.

1.5 The Department has several methods of successfully collecting feedback on products, programs and services. Certainly the most effective means is the number of companies that we work with expand or locate in South Carolina. However, there are other channels where feedback is gathered.

- The Rural and Community Development Division maintains contact with local development organizations across the state.
- Agency personnel are active in the South Carolina Economic Developers' Association and all committees.

- Under the direction of the Chief of Staff, committees consisting of Commerce personnel and SCEDA professionals have been established to develop standardized operating procedures for various aspects of the development process.
- The Coordinating Council staff and the grant staff conduct regular training seminars around the state to insure compliance with programs. The face to face contact also allows staff members to better understand and resolve issues and problems.

1.6 Senior leaders set short-term priorities based on the agency’s long-range vision and mission. The Chief of Staff meets regularly with division directors to discuss long-range priorities and strategies. When appropriate these strategies are incorporated into individual planning stages.

1.7 The Department of Commerce is a high profile state agency, and as such, is actively involved in the community. Each year Department personnel, including Secretary Way, man the Salvation Army collection post at the corner of Lady and Main Streets in downtown Columbia for two hours a day for two weeks between Thanksgiving and Christmas. During the Christmas season each division “adopts” a family in need, collecting and distributing

Secretary Way was also a leader in the Midland’s Juvenile Diabetes effort this year. Other organizations supported by Commerce personnel through donations of either time or money include the United Way, Harvest Hope Food Bank, and Habitat for Humanities.

Category 2 – Strategic Planning

2.1 Two and one-half years ago the Department completed its Strategic Plan for economic development. Over the past year, all division directors and the Chief of Staff have met on a regular basis to discuss the future, who the customers for each division are, and, what measures each division should use to define success.

During this process it became apparent to participants that the existing strategic plan, while still functional and consistent with the agency’s long-term goal, was in need of updating. The Marketing and Communications Division was given the task of formally revisiting and updating the plan to insure it is in step with our new marketing plan as well as changes that have taken place in the internal and external environment. Research is underway to identify key growth industries that can fit the state’s human and physical infrastructure as well as achieve the state’s long-range goal of economic diversification and stability.

Internally, budgets are proposed annually based on anticipated division needs to meet agency goals. Projections are shared with the Secretary of Commerce, the Chief of Staff and the division directors for further refinement, after which the budget is implemented for the year.

Externally the Department has enlisted the South Carolina Economic Developers' Association to launch new initiatives to examine processes central to our core function and how these processes can be improved.

2.2 Action plans and key measures for each division were addressed during the previously mentioned meetings of division heads. These meetings were facilitated by experts in the Malcolm Baldrige process. The Secretary and Chief of Staff are kept abreast of key measures through the agency's weekly report that now tracks progress on key measures for success. In addition, the Secretary and Chief of Staff are regularly briefed on projects that relate to the agency's core function.

2.3 Over the past two years the Department's senior leadership has taken strides to insure that agency goals are communicated down to the individual employee through performance reviews and individual goal setting.

This year, agency leadership, under the direction of Governor Hodges and Secretary Way took the unprecedented step of formally presenting specific project needs to legislative leadership in order to assure their support in securing resources.

Category 3 – Customer Focus

3.1 As stated before, the various functions of the Department of Commerce range from industrial recruitment of international business to the developing property in the Savannah Valley to the State Film office to the South Carolina Public Railway Commission. And this diversity is reflected in the wide array of customers and stakeholders it serves.

- Businesses making location decisions including film and television producers
- Existing businesses and industries
- Companies needing export assistance
- State and local governments
- Communities
- State government employees seeking to use state aircraft
- South Carolina's public airports
- State Ports Authority and its customers wishing to ship cargo by rail
- CSX and Norfolk Southern Railways

- Abbeville County officials, citizens, economic developers, and legislative delegation.
- Residents of Savannah Lakes region

3.2 The means of determining key customers and what their needs are is as diverse as the customers themselves.

- **Global Business Development**

Marketing efforts, that include in-depth market research, targets specific industries for either face-to-face contact through our marketing missions or through direct mail of brochures and pamphlets are designed to generate leads to the agency's primary sales force. Leads also come through the state's wide network of economic development allies.

Other customers initiate contact with the Department. Usually this contact will include site and facility requirements.

Once the initial contact is established, project managers talk with decision makers to assess the viability of the project and the company's specific needs. Customized information is then presented to the customer based on their stated needs in an effort to bring the company, or its representatives to our ultimate goal – a location decision for South Carolina.

The State Film Office works in much the same way recruiting potential film and television production projects to the state. Industry forecasts identify specific trends. The size of the industry lends itself to more direct marketing efforts, potential sites are identified through face to face information gathering and project managers build relationships and facilitate the flow of information.

- **International Trade Division**

The International Trade Division identifies customers within the state's industrial base that have specific opportunities to enter international markets. These companies are then contacted directly regarding trade show and mission opportunities. Once contact is made the Division offers expertise and guidance on procedures and requirements.

- **Existing Business Services**

Our Division of Existing Business Services' network of field agents regularly meet with the state's large and mid-size manufacturers to determine their needs and what if any problems the state needs to address. In addition, should expansion possibilities surface, project managers with expertise in handling the expansion opportunities help facilitate the process.

- **Community and Rural Development**

In much the same way as the Existing Business Services Division has field agents that visit existing industries, the Division of Community and Rural

Development has representatives who are responsible for maintaining contact with local development organizations and county leadership in the state's rural counties. Among other things this contact results in discussion topics and training at the Annual Governor's Rural Summit.

➤ **State Aeronautics Division**

Safety inspections identify those in need of maintenance and/or safety solutions. Grant applications identify airport development customers and their requirements.

➤ **Division Public Railways**

New customers are identified through other divisions within the Department and direct requests to the Division of Public Railways.

3.3 The Department is continually seeking input from clients and stakeholders on how we can improve our processes. Senior leadership attends quarterly meetings of our economic development allies and is always available for contact from local communities.

Over the course of the past year Governor Hodges appointed two "Blue Ribbon Committees" to examine spending policies concerning, among other things, the "Special Events Fund". Recommendations from these committees were quickly implemented to increase agency accountability.

The Information Technology Division constantly monitors our internet site to identify which areas of the site are "hit" most often and by whom.

3.4 Ours is a very customer oriented business, therefore when customers indicate a shortcoming in product and/or infrastructure staff is responsible for relaying that information to communities so they may improve their shortcomings in order to capitalize on future opportunities.

As a result of input from local developers, a joint committee consisting of Commerce staff and local development professionals are designing a set of "standard operating procedures" to improve internal and external processes.

3.5 The ultimate measure of our customer satisfaction is the number of businesses, be them manufacturers, service facilities or film producers, that locate their projects in the state and the amount of capital they invest and jobs they create. Other measures include attendance at the Governor's Rural Summit and other training services provided, feedback from those participants, and information gleaned from the Existing Industry Visitation program.

The grants programs administered through the Coordinating Council and the Grants program staffs can be quite complex at times. In order to insure customer satisfaction those staffs guide customers through the processes and requirements. To this end, each program has an established set of training objectives, and each year plans and implements a program of training. A total of 7 training sessions

were held throughout the year benefiting a total of 263 participants. All resulted in positive feedback regarding the information presented.

3.6 The Department of Commerce is a sales, marketing, and product development organization and as such, the building of strong relationships with customers and stakeholders is essential to our success. Project managers deal one on one with their clients in order to insure continuity throughout the sales process. This enables them to develop in-depth knowledge of the client's needs, which in turn translates into pertinent information in a timely manner from the Agency's Research Division.

Communities are dealt with in much the same manner. A single point of contact is appointed for rural communities in order to stay attuned to the needs of a specific community as well any changes that may be taking place. They are also well positioned act as a catalyst for changes that need to take place.

Category 4 – Information and Analysis

4.1 Through the Baldrige process, senior leadership spent several hours meeting behind closed doors discussing and debating what the agency should be measuring and, perhaps just as importantly, what could be measured timely fashion and accurately.

4.2 Each fall the Department annually asks companies across the state to complete its Capital Investment Survey. Findings from this survey are cross-checked with newspaper articles and follow-up phone calls. Financial and grant auditing ensure financial effectiveness and procedure compliance.

4.3 Data analysis is used to in a number of ways to support effective decision making.

- Data from a variety of independent sources is used to identify target industries that the Department should spend marketing resources. Furthermore, specific companies within those industries are also identified.
- Analysis of lead generation data offers valuable information on what media is most effective to convey our message to potential clients.
- Analysis of what stage projects are in; i.e., early versus decision imminent, along with prospect proposal activity provides a basis for resource allocation.
- Community readiness prepares a basis for infrastructure grant allocation and may lead to ease of industry location.
- Film production trends assists in educating communities.
- Air and rail activity, safety incidents, and grant dispositions enables staff to allocate resources and improve processes.

- 4.4 When dealing with data gathered from outside the agency for comparative purposes the department either contacts the states we are comparing ourselves to or use a reputable third party source of information.

Category 5 – Human Resources

- 5.1 Leadership within the Department attempts to match an employee's interest with appropriate work and projects. Part of realizing the full potential of an employee starts with management providing employees with the proper training in the basics of economic development. This includes attending the SCEDS school and/or the accredited Economic Development Institute three year program.

Once an employee completes this education track, it is up to the employees to suggest improvements in products or processes. If these suggestions benefit the agency and fall within the goals and objectives of the Department, managers are encouraged to help employees secure necessary training.

- 5.2 In some cases, directors suggest training for an entire division, ie "Get it Write", a writing course. Managers discuss with employees any training deficiency an employee may have. For example, an employee that works with spreadsheets may be asked by a manager to attend an Excel III level course. The Department prefers managers focus on individuals as opposed to mandates from the director level.

Other professional training is offered by the SC Economic Developer Association (SCEDA). This organization offers quarterly meetings with allies and features professional speakers addressing topics of interest to the economic development practice. Managers encourage employees to attend SCEDA sponsored relevant meetings

- 5.3 Our EPMS system is based on annual reviews with quarterly verbal reviews and evaluations. Quarterly evaluations are informal and designed to identify changes in priorities or problem areas where expectations of high performance are not being met. Informal feedback is an on-going process. Inadequate performance is addressed immediately in a private counseling session with the employee.

- 5.4 Annual formal personnel evaluations and informal quarterly evaluations and review provide employees the opportunity to discuss their needs with their supervisors. In addition, the previous Director of Human Resources began laying the groundwork for employee satisfaction surveys. Hopefully within the coming year, the new Director will be able to institute an effective measure of employee satisfaction.

- 5.5 A number of measures have been implemented by Human Resources to insure a safe, positive workplace.

- A new security system has been put in place that limits access to the main Department floors.

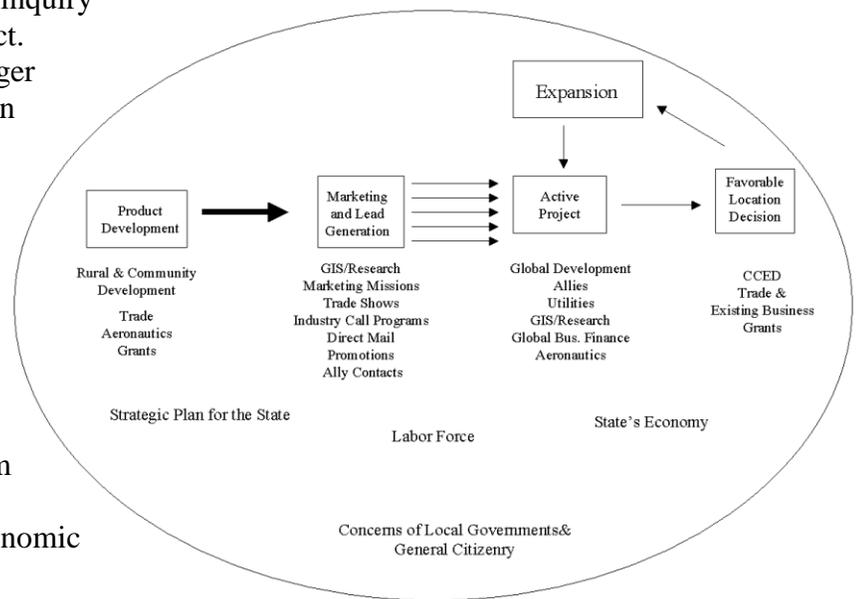
- Written policies regarding affirmative action, harassment, discipline and performance are posted on the Department’s intra-net. When changes are made, agency-wide e-mails are sent out.
- Employees who operate heavy equipment for the Division of Public Railways or the Aeronautics Division are randomly tested for drugs and alcohol. Pilots and rail workers are also subject to physical and/ or hearing examinations as a requirement for continued employment.
- The Division of Public Railways and the Aeronautics Division have written safety procedures and guidelines and regularly perform inspections on equipment.

5.6 Staff in the Human Resources Department coordinates activities in a wide range of community oriented fund-raising activities such as the Salvation Army, Columbia Area UNCF, United Way, Community Health Charities, Central SC Habitat for Humanities and United Black Fund of the Midland.

Category 6 – Process Management

6.1 As with any organization based on sales and marketing, the building of relationships is an integral part of our success. Our process makes the Department’s front-line sales team, either Global business Development or Existing Business Services project managers, the single-point of contact with the company or the company’s representatives as soon as an inquiry is identified as a viable project. This allows the project manager to begin amassing information on the company, the project, the project’s requirements and building personnel relationships with decision makers.

The chart at right outlines the “life cycle” of a project:



- 1) A lead is received from a company, consulting firm, or one of our economic development allies.*
- 2) The project is determined screened by managers in Global

* Please note that as the chart shows, even before the inquiry is received, the process of product development is underway through the work of the Division of Rural and Community Development, Grants, Division of Public Railways and the Aeronautics Division.

Business Development or the Director of Existing Business Services, to determine its viability. Once it is determined to be a viable project, a project manager is assigned that will act as the constant point of contact for the customer. It is the project manager's responsibility to establish personal contact with the client.

- 3) The project manager determines the parameters of the project and the information needs. These are then relayed to the Department's Research Division and/or local development allies. Once the data is gathered, it is then funneled to the customer. As the project matures, communities and states are eliminated, and additional information is required from both the state and community until a favorable location decision is made
- 4) After the decision is made and a facility becomes operational, the Existing Business Services Division establishes contact to monitor the progress of the facility and offer advice and help should problems arise.
- 5) Assuming the plant operates successfully and profitably it will expand within the first five years of operation at which time a project manager from Existing Business Services will be assigned to facilitate the process.

The process has remained virtually unchanged for the last ten years with major exception – the time it takes for the process to run its course has become compressed. What used to take years in the early 1990's now frequently only takes months and sometimes even weeks. In order to meet the increased time demands of clients the Department utilizes technology whenever possible to reduce turn-around time. For example:

- a) SiteScope allows consultants to scan our entire data base of industrial sites from their offices via the internet.
- b) Proposals for companies are frequently sent to clients by electronic mail and CD. This allows company representatives to distribute information to their team members quickly and efficiently.
- c) Customers can be meet face-to-face with state and local decision leaders through the Department's teleconferencing facilities

6.2 Project managers maintain contact with customers regularly in order to stay abreast of new developments and insure information needs are met. As the project "matures" and moves toward final a decision, contacts intensify and the Department's senior leadership may be briefed daily.

6.3 Each of the other divisions is tasked with supporting the Global Business Development Division; i.e., the front-line sales team. Each uses the latest technology available to maximize their outcomes. (See 6.1 above for examples of technological innovations used to support the sales function.) In addition, Human

Resources has implemented an innovative bonus compensation program to encourage the sales team to meet individual and divisional goals.

6.4 Team South Carolina consists of those members of the state's economic development community that is crucial to the success of the state's economic development efforts. Team South Carolina consists of the local development offices, state and local government entities, and the private companies that have a stake in the economic success of the state. The relationship with Team South Carolina is nurtured in a number of ways.

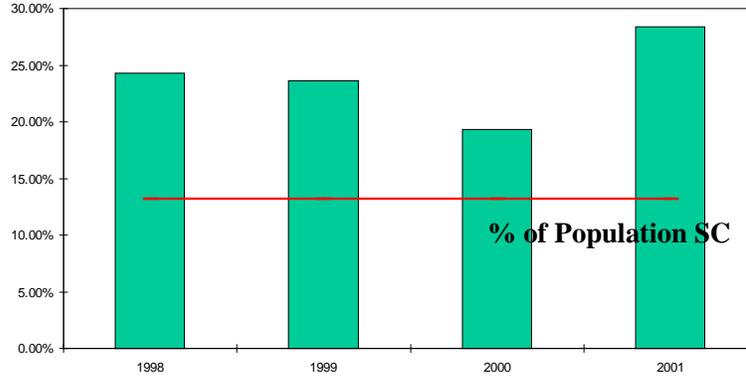
- The Division of Rural and Community Development is tasked with maintaining constant contact with more than half of the state's 46 counties. These counties are provided with technical support and strategic planning expertise in order to improve product development. The Division further supports product development with grants from the Rural Infrastructure Fund.
- The South Carolina Coordinating Council further supports product development with grants for infrastructure.
- Interaction with state agencies such as DHEC, the Department of Revenue, the Center for Advanced Technology Training, and the State Ports Authority is encourage early in the process so they can gain a better understanding of the customer's operation and minimize impact of potential problems on the final location decision.
- Utilities, contractors, financial institutions, and other economic development allies that meet with customers are given feedback from project managers on the effectiveness of their presentations.
- Consultants that represent companies making location decisions are contacted to make sure the Department is meeting their needs.

Category 7 – Results

Charts 1 through 8 illustrate the primary measures of success for the Department – announced capital investment and announced new jobs created. They also demonstrate the customer satisfaction for the Department's primary customers – those businesses that are making investment decisions. The external environment; i.e., the economic downturn, heavily impacted the Department's ability to reach its goals by drastically reducing the number of customers needing additional capacity.

Chart 1

Percent of Capital of Investment Captured Relative To SE Competitors

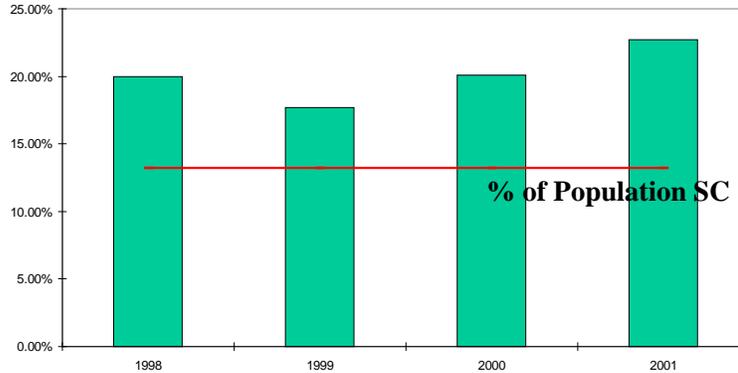


States compared are Ga., N.C., Tenn., and Ala.

While the Department's measures of customer satisfaction - Total Announced Investment and Total Announced New Jobs - were down, Charts 1 and 2 illustrate the Department's success relative to our primary competition; i.e., North Carolina, Georgia, Tennessee and Alabama, as measured by the Southern Economic Development Council. These two illustrations clearly demonstrate, despite a shrinking market, the State increased overall market share among our nearest competitors. This is an especially strong performance considering the population of the state is less than 14% of the total of the comparison states.

Chart 2

Percent of Announced New Jobs Captured Relative To SE Competitors



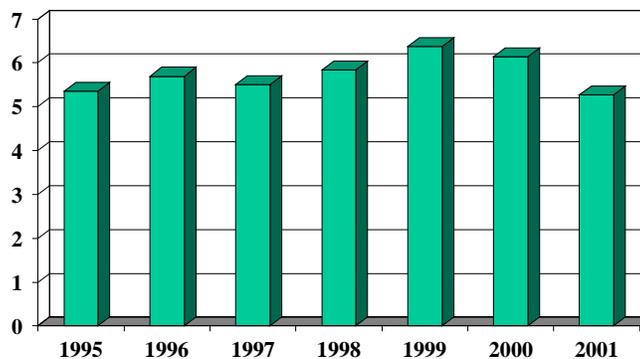
States compared are Ga., N.C., Tenn., and Ala.

Despite the nation's economic downturn, Chart 3 shows the State still attracted more than \$5 billion in announced new capital investment. Several merchant power plants made large investments of \$300 million or more. These projects were frequently the focus of fierce competition between communities in North and South Carolina because they add hundreds of millions of dollars to the local tax base with minimal impact on local infrastructure and schools.

Chart 3

Total Announced Capital Investment

Billions of \$



With manufacturing jobs being eliminated across the country due to the manufacturing recession, it is no surprise that Total Announced New Jobs, shown in Chart 4, was the lowest since 1995. While merchant power plants pushed investment numbers up, businesses of this type are not major job creators.

Chart 4

Total Announced New Jobs

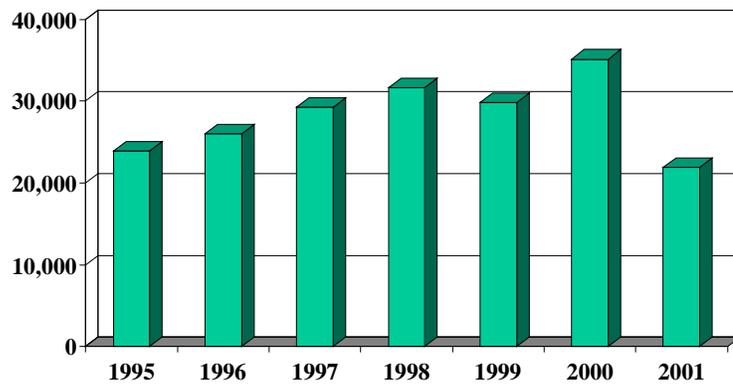
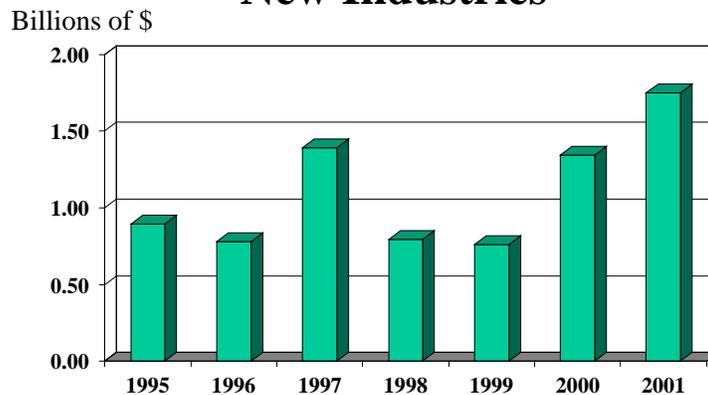


Chart 5 illustrates the success the Department had in attracting capital investment from new industries to the state. While investments by power generators such as Duke Power, Calpine and Cogentrix were the largest investments, also included among the largest investments are announcements by such companies as Target, Biopure and Harbor Freight Tools.

Chart 5

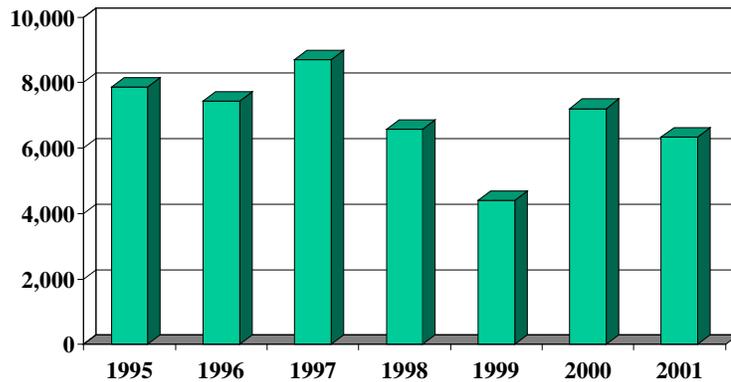
Total Announced Capital Investment New Industries



In light of the job losses recorded nation-wide, the Department had an especially strong performance in attracting industries that created significant numbers of new jobs. Chart 6 illustrates that success. Two industries, Target and Ross Stores, chose South Carolina over competitor state for distribution facilities that will create 1,000 new jobs each. This was the first year since 1992 that two new companies have announced two facilities creating 1,000 new jobs or more. In addition, the Department also assisted Wells Fargo in the location of a 900-employee customer service facility in the state.

Chart 6

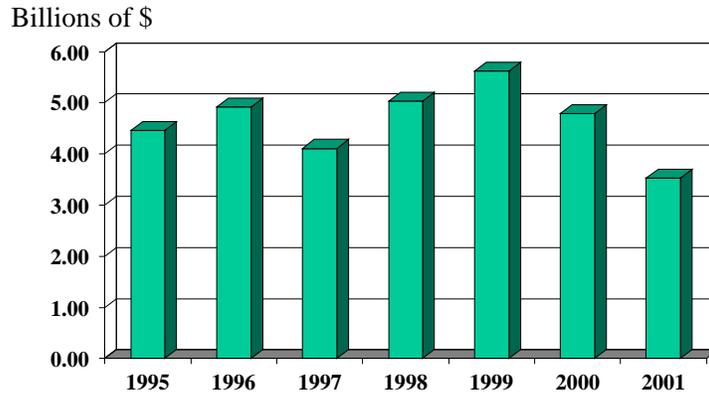
**Total Announced New Jobs
New Industry**



Perhaps more than any others, Charts 7 and 8 demonstrate the impact external factors had on the Department's ability to reach its goals in 2001. These charts show activity reported by our existing industries, the backbone of the state's economy. If existing industry activity is accepted as a benchmark of economic performance, these charts show 2001 the state's economic activity mirrored that of the nation.

Chart 7

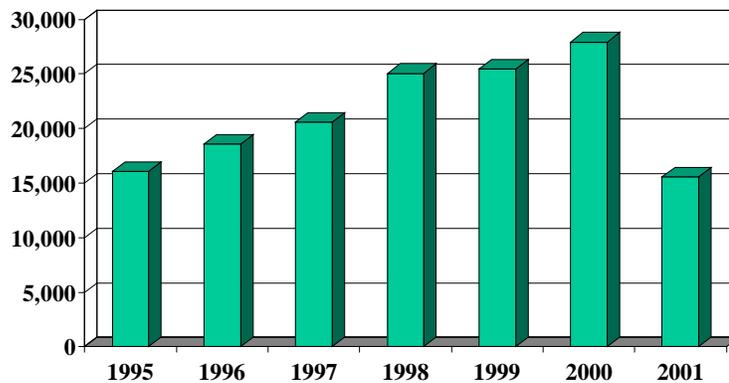
Total Announced Capital Investment Existing Industries



With manufacturing capacity utilization nationally at an 18-year low and manufacturing facilities across the nation cutting their workforce and permanently shutting their doors. Chart 8 shows the impact of this trend on job creation in South Carolina. Many of the larger existing industries with expansion plans either put those plans on hold or canceled them altogether. Further complicating the issue was automation of existing industries, especially the textile industry, where capital investments were reported but no new jobs were created. In fact in many cases automation can lead to job reductions.

Chart 8

Total Announced New Jobs Existing Industry



The Department's Division of Rural and Community Development has worked hard to make the State's rural areas more marketable and Chart 9 illustrates the Division is being successful in accomplishing its mission. While the actual numbers invested in 2001 were down slightly 1999 and 2000, the amount invested has remained relatively constant, between \$1.5 billion and \$1.8 billion. This is especially strong when one takes into account the decrease in total dollars invested statewide.

Chart 9

Total Announced Capital Investment in Rural (Non-MSA Counties)

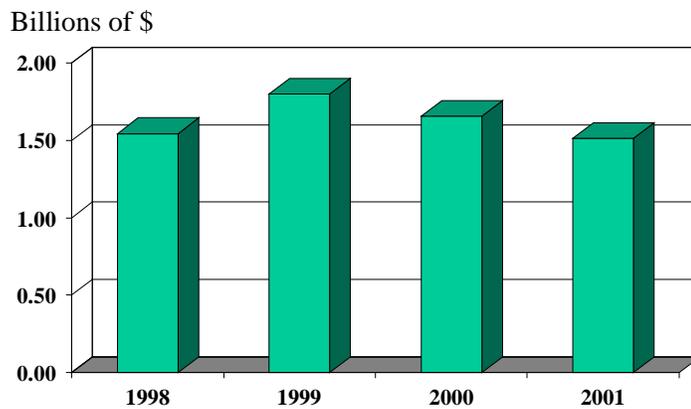
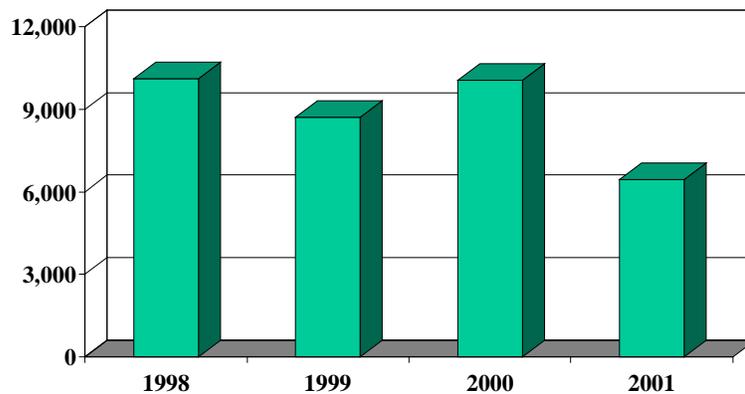


Chart 10

Total Announced New Jobs in Rural (Non-MSA Counties)

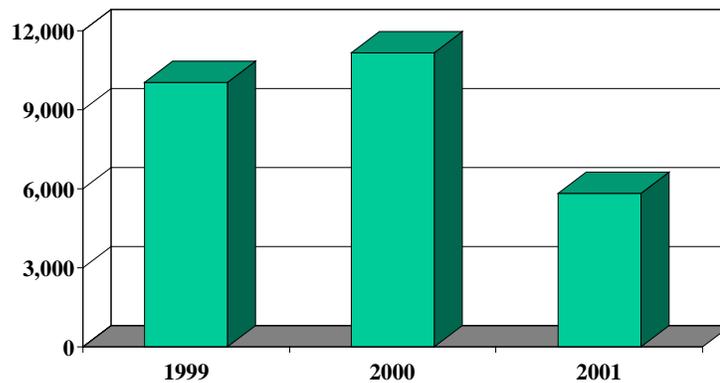


While rural areas were able to increase their share of announced new capital investment, the number of announced new jobs in rural areas reflects the nationwide trend of job cuts.

As with all job creation numbers, the number of Announced New Technology Jobs also decreased significantly 2000 to 2001. The technology sector was one of the hardest hit sectors with hundreds of thousands of jobs lost nationally. Capacity utilization in the sector was also among the lowest nationally.

Chart 11

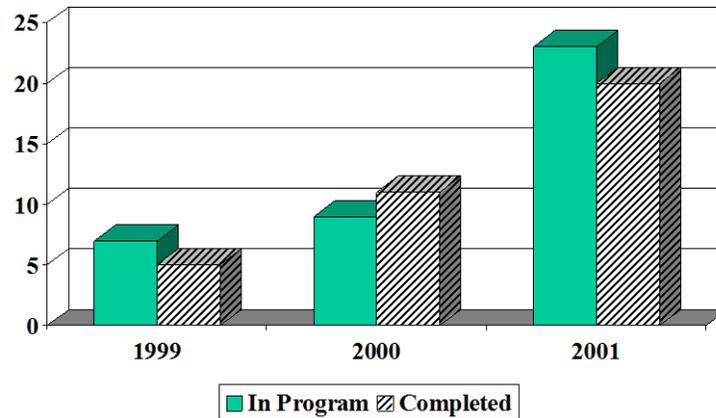
Total Announced New Technology Jobs



The Division of Rural and Community Development is taking steps to insure every rural county in the state has an up to date Strategic Plan for Economic Development. Last year the Division completed 9 such projects and brought more counties than ever into the program.

Chart 12

Strategic Planning in Rural Communities



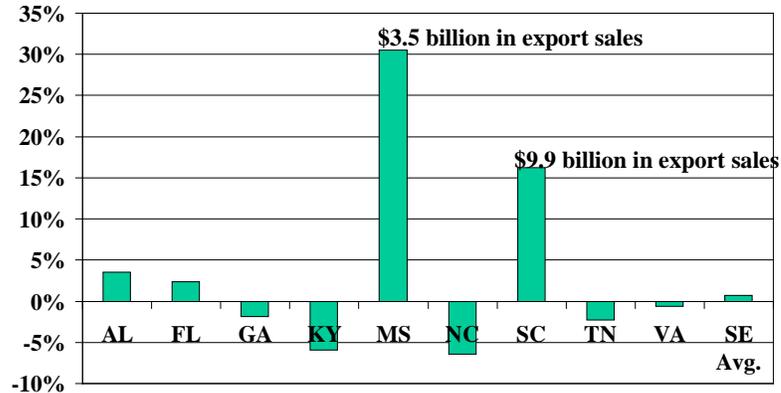
In Fiscal Year 2001-2002, the trade program staff fielded more than 550 requests for export assistance from South Carolina companies, and 575 requests for import and other related calls. From these contacts, 159 companies have participated in 23 trade shows and missions. Forty-four of these companies have realized sales success from these trade shows. More than \$50 million in export sales can be attributed to trade shows and missions organized by the International Trade Program. This is an average of more than \$2.2 million in sales of South Carolina products per trade show or mission or a 28% rate of success for participating companies.

An additional 196 companies have participated in South Carolina Department of Commerce-coordinated trade events and seminars, a new category of trade services. Companies from around the state were introduced to 176 new markets from around the world.

In the face of a global economic downturn in 2001, South Carolina companies continued to find success in overseas markets. For the second year in a row, South Carolina's value of exports grew by double digits. As Chart 13 illustrates, the state's closest competitors, North Carolina and Georgia, have experienced negative growth in the value of exports leaving their states. With exports valued at more than \$9 billion, South Carolina's export growth rate is a leader in the Southeast, second only to Mississippi whose actual export value was substantially less than South Carolina's at \$3.5 billion. This success can be attributed to a positive atmosphere for international trade made possible through the cooperative efforts of the International Trade Program, the State Ports Authority, and other state and federal trade assistance programs.

Chart 13

Percentage Growth in Value of Exports

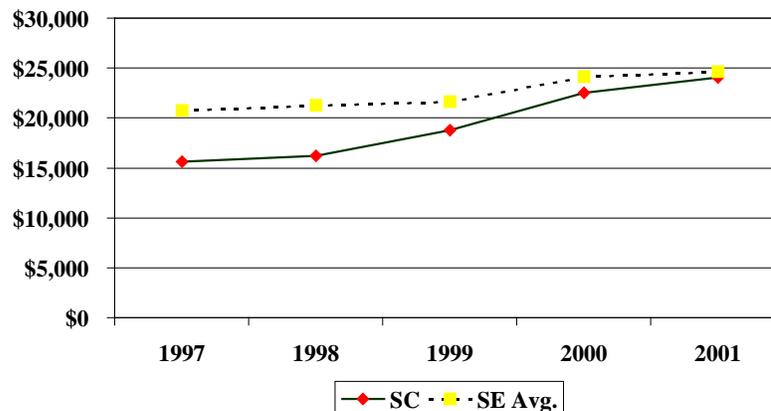


Source: Global Trade Information Services, Inc., 2002

Though in recent years there has been a decrease in manufacturing employment (8% in South Carolina and in the Southeast), the value of manufacturing exports has continued to grow (32% in South Carolina and 14% in the Southeast). This emphasizes the importance of global trade as it relates to each manufacturing employee. As the number of jobs decreases and the value of exports increases, the manufacturing industry grows to depend more and more on successful international trade.

Chart 14

Value of Exports per Manufacturing Employee



South Carolina's export value per manufacturing job in 2001 reached an all-time high of \$29,981 – surpassing the Southeastern average of \$29,433. With a growth rate of 21.5% in a single year, South Carolina far surpassed the Southeastern average growth rate of 6.5%. In fact, South Carolina substantially led all of the Southeastern states in growth, coming in second only to Mississippi.

The trade program's goal for this year was for the value of exports per manufacturing job to achieve \$20,000 – an increase of 6%. The growth in the value of exports has enabled the state to far surpass this goal and realize \$29,981 per manufacturing job in 2001 – a 44% increase since 1999 (final year in last year's report). This trend is another good indicator that South Carolina's companies are finding success in their international markets.

South Carolina Public Railways Division annually sets a goal of 0 work related injuries. The Division implements training programs and policies to reach that goal. In 2001 and 2002, the Division reached this goal.

Chart 15

Frequency of Injury Among Railroads

