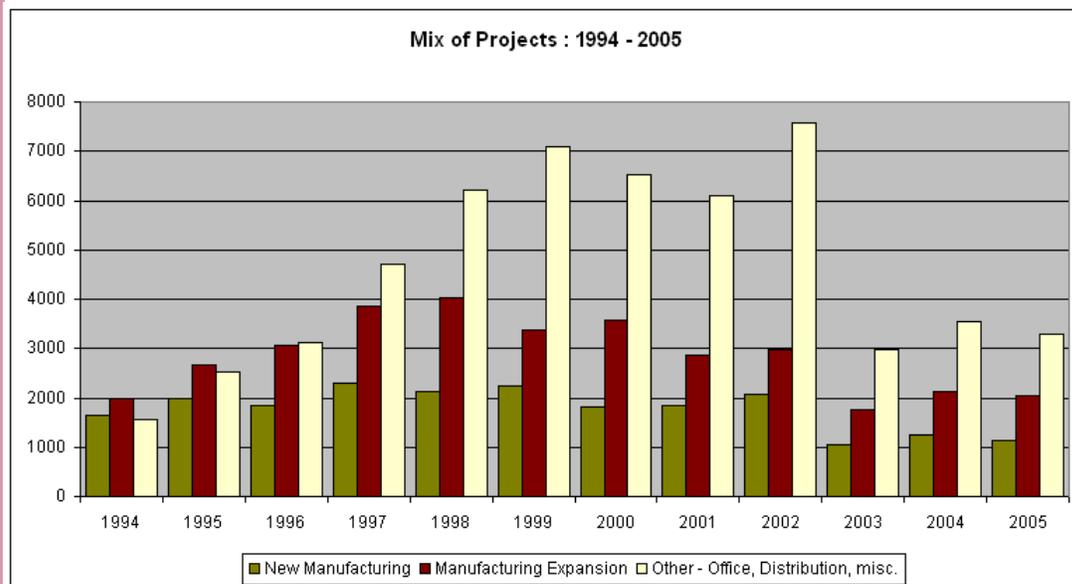


## Highlights:

- Our 2006 website visits are up 150%+ from 2004 levels.
- Expansion projects have predictably recovered faster than new manufacturing to roughly 2/3 of boom levels.
- New manufacturing projects have been 1/2 of past levels.
- Some states consistently attract more projects relative to their population size.
- Some small states actually outperform the large ones in total projects per population.
- Lead generation may cost areas too much per new job.

## A Longer-Term Perspective on Capital Investment Projects



***GDI-Solutions.com links to over 20,000 resources for planning corporate investment projects. We expect 500,000+ visits in 2006 after 48,000 in March.***

***OnTheShortList.com selectively highlights business locations and professional services, and shares unique business site selection research capabilities, market knowledge and field research work.***

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Site Selection magazine publishes an annual summary of major project announcements by US states for their March "Governor's Cup" ranking. This predictably favors the very large states.

Despite some limitations, such as the obvious fact that projects have different economic impacts, this provides a "macro" market perspective as above over time.

Economic development is a long-term competitive process for which regional location influences many investor choices.

We therefore analyze the project data in a different way, as shown on the following pages. We compare the total projects announced over a period of years across an investment cycle. We then relate those totals to population levels as a simple way to "level the playing field" among states of very different sizes, such as to compare performance within a geographic region.

More details of our 7 year trend analysis of project announcements are shared on our website. The graphics on the following pages compare total projects relative to population size at the end of the 1990's boom versus the last three years.

A separate analysis, shared in part on our website, reflects our research into the lead generation costs relative to such results. Economic development agencies at all levels are estimated to spend \$20+ million in total on advertising, events, and other marketing initiatives, plus \$30+ million worth of their professional time and the internal expenses to develop project leads.

Some areas spend thousands of dollars per extra new job created. That high cost may be justifiable relative to their long-term local value. Others spend little to find leads. Given a limited number of projects per year in any region, millions could be saved by improving lead generation work.

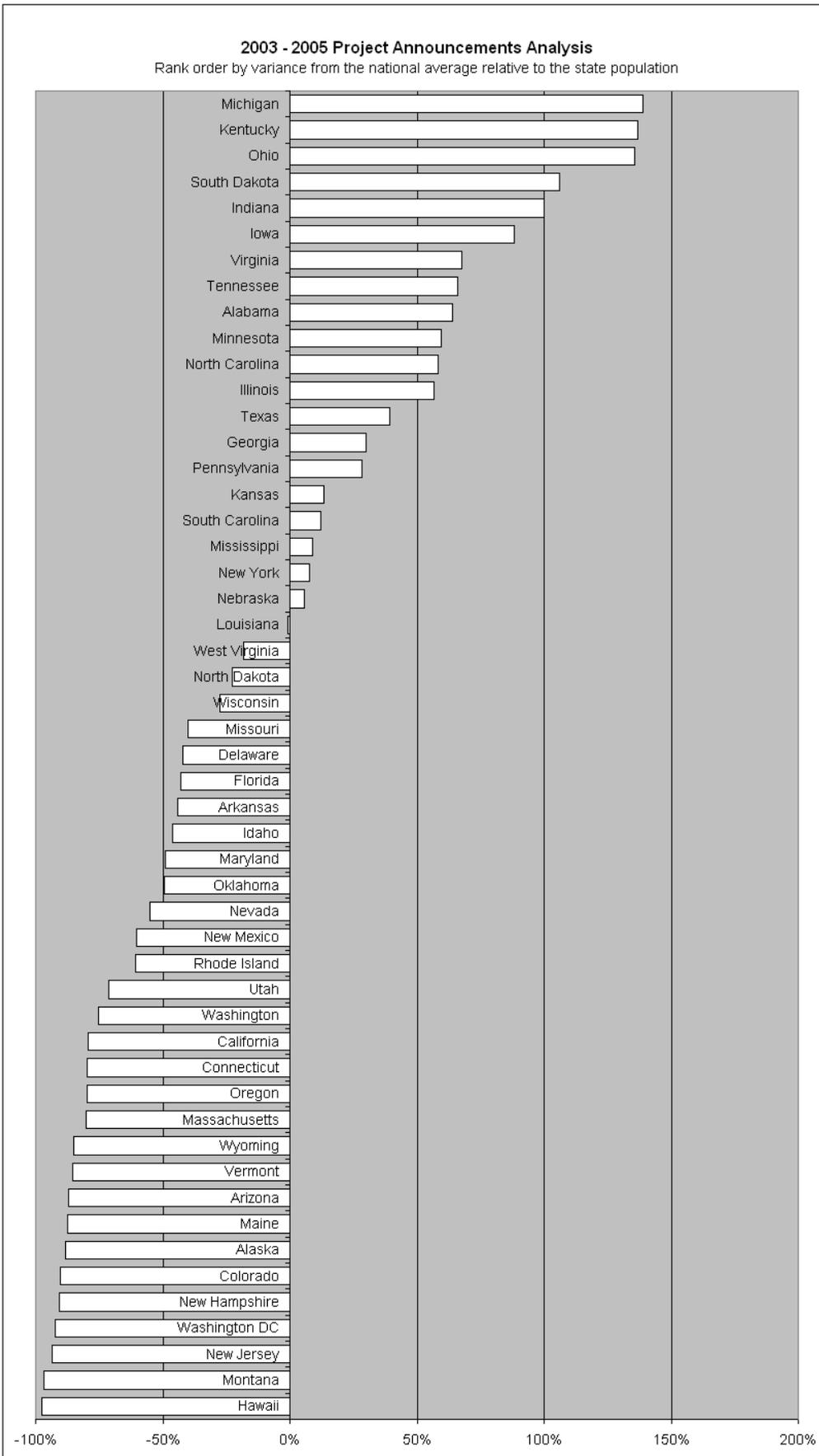
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# Analysis for 2003-2005 : New investment projects lag in an economic recovery

National average baseline : 22 total major projects (all types) announced per million population

Compare this to 34 over the 7 years from 1999 - 2005, and 41 in the 1999 -2001 boom years.



## Surprises in the Rankings

As explained, our analysis uses data published by Site Selection magazine and relates that to state population totals. Their own rankings just reflect project totals, so large states come out ahead.

For reference, compare their rank for 2005 as follows to the results relative to population at left.

As published in March 2006 :

1. Texas
2. Ohio
3. Illinois
4. Michigan
5. North Carolina
6. Pennsylvania
7. New York
8. Tennessee
9. Virginia
10. Georgia

By contrast, our ranking of the same states as shown by this methodology would be as follows for the 2003 - 2005 period:

13. Texas
3. Ohio
12. Illinois
1. Michigan
11. North Carolina
15. Pennsylvania
19. New York
8. Tennessee
7. Virginia
14. Georgia

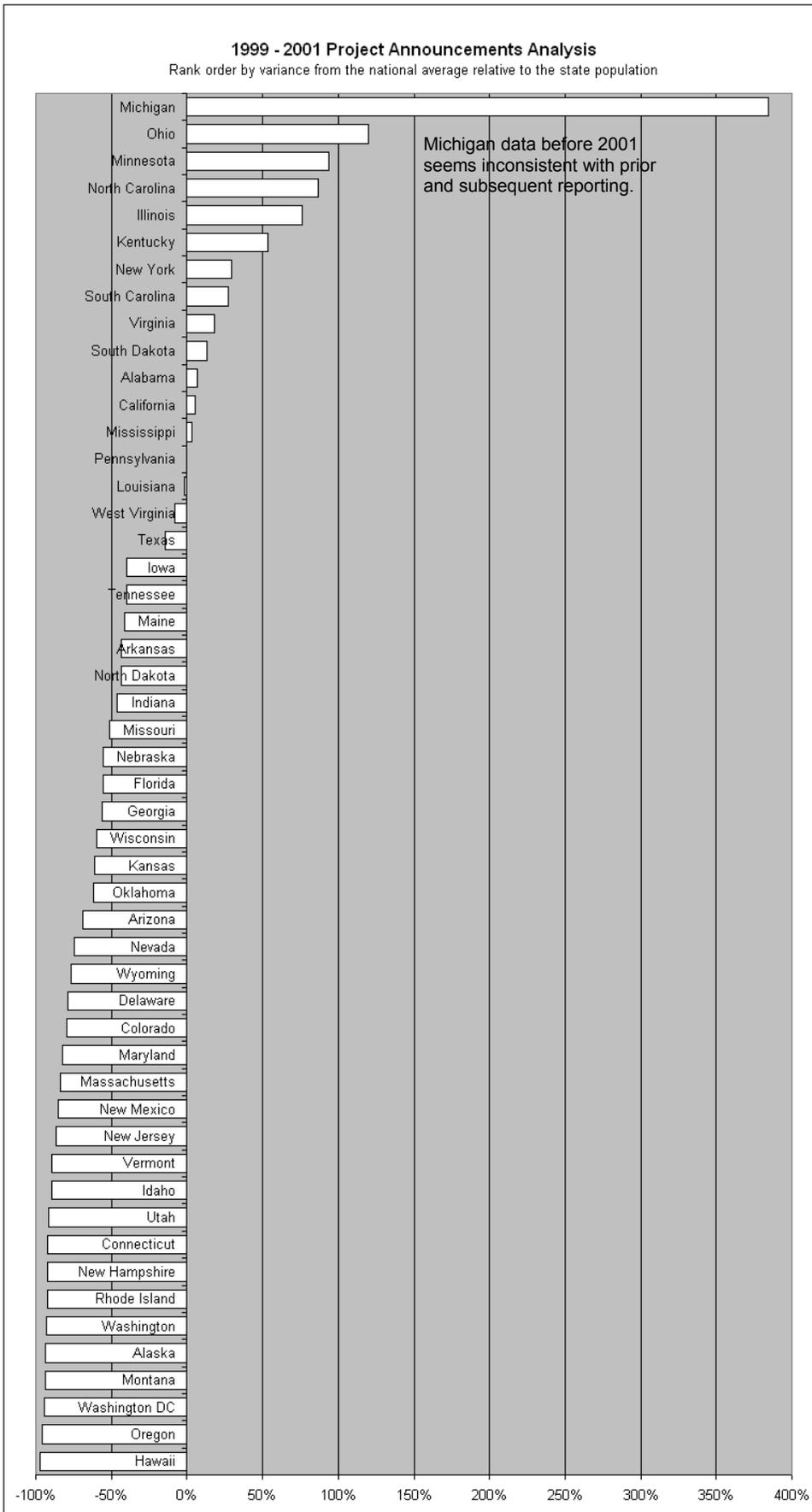
A review of the ranking at left may turn up some surprises at first glance, such as the relative position of some states versus neighboring ones in their region.

Refer to [www.gdi-solutions.com](http://www.gdi-solutions.com) for more details of this 7 year analysis by Global Direct Investment Solutions of US project announcement data as published in Site Selection magazine.

# Analysis for 1999 - 2001 : end of the 1990's and the "irrational exuberance"

National average baseline : 41 total major projects (all types) announced per million population

Compare this to 24 for the last 3 years 2003 - 2005, and 41 for the 1999 - 2005 boom and recovery.



## Marketing Perspective

Simple year-to-year comparisons are less meaningful in a market which involves capital investment projects that may be planned over a period of several years, and influenced heavily by general economic conditions.

From a marketing perspective, the investment in efforts to reach and attract more potential investors needs to be an ongoing process to build up valuable business relationships.

Unfortunately, the budgets for economic development work may predictably decline sharply in a recession, and lag a recovery, so that marketing efforts are reduced at the very time when one most needs to attract whatever new jobs may be possible, and prepare to take full advantage of economic recovery.

Another challenge in this regard is that such periods of economic transition are often accompanied by both political, economic policy, and organizational leadership changes.

That means the usual continuity of marketing work and the "location brand" message, as well as business relationships, may be disrupted.

In short, the value of the marketing investment of prior years can be lost in such transitions for reasons other than changes in investor plans in response to economic conditions. It generally takes time for new teams and new strategies to deliver results.

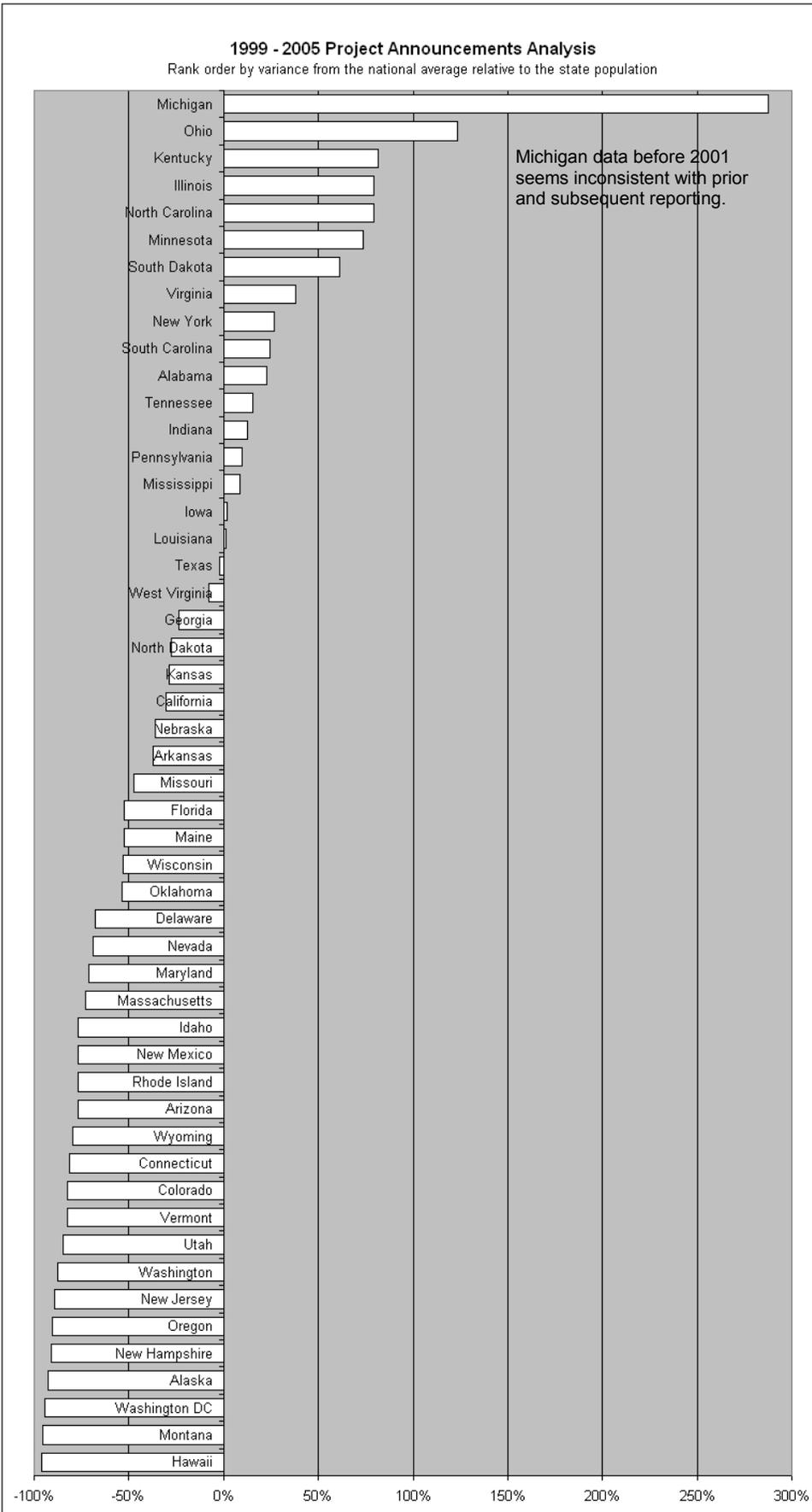
This can be observed in some of the long-term changes in these rankings of performance among the states.

Refer to [www.gdi-solutions.com](http://www.gdi-solutions.com) for more details of this 7 year analysis by Global Direct Investment Solutions of US project announcement data as published in Site Selection magazine.

# Analysis for 1999 - 2005 : seven years through economic boom and recovery

National average baseline : 34 total major projects (all types) announced per million population

Compare this to 22 over the last 3 years from 2003 - 2005, and 41 in the 1999 -2001 boom years.



## The Market for Projects

As shown in the graph on the first page and other prior analysis, the level of projects peaked in the late 1990's at roughly a 12,000 total, versus 6,000 in the last three years.

Many projects, however, are local or regional by nature, as is obvious in the case of expansion projects at existing business locations.

States do not, therefore, actively compete for all of those projects. In general, they compete for the ones which are "mobile", involving a real choice among several states, but likely not against all other regions.

Location matters, so a town with 25,000 people and millions of others in a short radius obviously has very different potential than a town of the same size in a remote rural area. The same is true of regions. There may be great competition within them, but rather less between them.

Each state is not competing for thousands of projects. It may really be competing for only 100 or so, as shown by these baseline figures, and because few of the total 6,000 to 12,000 projects per year may be "mobile" and relevant to that region.

Proactive, pro-investment policies and marketing initiatives, combined with a fundamentally more attractive business climate, can clearly alter the volume of projects won by a state relative to competing areas in a region. This is shown by some of these performance variances, and their continuity over many years in both boom and recovery cycles.

Refer to [www.gdi-solutions.com](http://www.gdi-solutions.com) for more details of this 7 year analysis by Global Direct Investment Solutions of US project announcement data as published in Site Selection magazine.