

02-3-5415

FORWARD SOUTHWEST VIRGINIA

The Final Report
of the
Southwest Virginia Economic Development Commission

JULY 1, 1987



COMMONWEALTH of VIRGINIA

SOUTHWEST VIRGINIA ECONOMIC DEVELOPMENT COMMISSION

(703) 228-7867

DELEGATE CHARLES C. LACY
CHAIRMAN
SENATOR JAMES P. JONES
VICE CHAIRMAN

215 Carroll Hall
Wytheville Community College
Wytheville, VA 24382

July 1, 1987

The Honorable Gerald L. Baliles
Governor of the Commonwealth
Third Floor
State Capitol
Richmond, Virginia 23219

Dear Governor Baliles:

It is my honor to transmit to you the final report of the Southwest Virginia Economic Development Commission. The report consists of a brief discussion outlining the challenges and opportunities facing the region, followed by sixteen recommendations for local, regional and state action to move this area forward.

Southwest Virginia is a region of significant diversity and that diversity was reflected in the membership of the Commission. Debates were vigorous during the course of our discussions. In the final analysis, however, the Commission recognized the overriding need for the region to act in concert. Thus, the report comes to you with the unanimous support of the Commission's members.

This report is more than the collective work of twenty-one Commission members. It reflects the contribution of thirty-one ad hoc advisors to the Commission's task forces, as well as hundreds of instances of suggestions from the region's public. In addition, the Commission was given very able staffing assistance by Virginia Polytechnic Institute and State University, and was aided immeasurably by the Institute of Government at the University of Virginia.

One common element pervaded the Commission's discussions: The need to act now. The dichotomy between the economy of this region and that of the Commonwealth as a whole has widened significantly since the recession of the early 1980's. The opportunity to narrow that gap may well be lost forever if we do not act immediately.

With best regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read "C. Lacy".

Charles C. Lacy

THE SOUTHWEST VIRGINIA ECONOMIC DEVELOPMENT COMMISSION

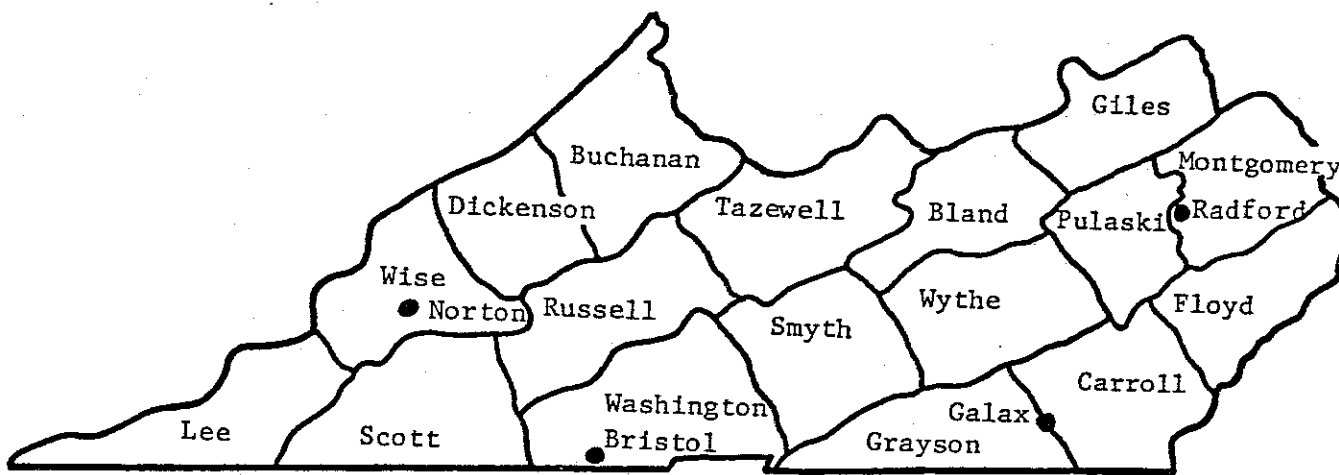
The Southwest Virginia Economic Development Commission (the Commission) was created by the 1985 General Assembly "To conduct a study and propose recommendations as to measures which might be taken to improve and enhance economic development in the Southwest region of the Commonwealth. In conducting its study, the Commission shall pay particular attention to ways in which industry might be attracted to the Southwest by activities on the part of the state government, by individual and joint efforts of local governments in the region, by regional efforts with the governments of neighboring states and their local governments, by programs provided by or through educational institutions located in the area, and by the regional business, banking, and industrial community." (VA Code 340) With the submission of this report, the Commission's work is completed.

The 21 members of the Commission, all drawn from the region, include 5 members from the General Assembly and leaders from banking, utilities, local government, planning districts, education and industry. The area covered by the study includes the 17 counties and 4 cities that comprise planning districts one through four.

In December 1986, the Commission sent to

Governor Baliles and the General Assembly its Interim Report. Their response to the report was positive and resulted in \$1,500,000 of support to economic development in Southwest Virginia. The actions included —

- Expanding the Southwest Regional office of the Virginia Department of Economic Development;
- Funding a target industry study to identify those industries most likely to consider locating in Southwest Virginia;
- Expanding the adult literacy pilot program at Mountain Empire Community College;
- Creating a branch of the University of Virginia Institute of Government at Clinch Valley College;
- Authorizing a feasibility study to determine the best location for a Farmer's Market in Southwest Virginia;
- Appropriating funds for a leadership development seminar series to recognize and encourage forward thinking leaders in the region.



FORWARD SOUTHWEST VIRGINIA

The Final Report of the Southwest Virginia Economic Development Commission

INTRODUCTION

This report lays out a course of action by which 570,000 Southwest Virginians can take their economic future into their own hands and close the gap between their region and the state and the nation. Much can be done, but doing it will take a united effort by the citizens of the region and an effective partnership between state and local governments. The report is the product of the Southwest Virginia Economic Development Commission's work over the past two years. The sixteen recommendations reported here are based on the reports of the Commission's task forces on Education, Marketing, Transportation, Utilities, Tourism, and Natural Resources.

THE CHALLENGE

As they face their economic future, Southwest Virginians can build on a sturdy foundation. The region enjoys abundant water, coal, timber, and other natural resources. From the Cumberland Gap to the New River Valley, it possesses a natural environment of immense beauty and bounty. It has an ample supply of people ready and eager to go to work. It is favored by a moderate climate. The region is located strategically midway on the Eastern Seaboard at the junction of two interstate highways. It has access to markets from Florida to Maine and in the mid South and Midwest. The region is served by three universities and five community colleges. Above all, its people have a spirit of pride and independence and are willing to do what they must to improve their common economic future.

A strategy for the region's economic future ought to build on these strengths. At the same time, a candid appraisal of the region must take into account several weaknesses that are reflected in today's economic woes.

The economic plight of Southwest Virginia can be stated simply — low incomes, unemployment, and slow growth. These conditions are captured by the economic statistics on the region:

- Income per person in Southwest Virginia is only 68 percent of the state average, and poverty rates in the region are much higher than in the rest of the state and the nation.
- Unemployment rates in the region, particularly in the coal fields, are well above national and state averages. In 1985, the unemployment rate in the region was more than double the state average. Moreover, the percentage of adult men and women

who are in the work force is far below state and national averages. Discouraged workers, who have given up looking for jobs, are not counted as unemployed. So the unemployment rate for the region understates the shortage of jobs.

Although the disparity in growth between the region and the state is long-standing, the problem has grown worse over the last decade. Like the rest of the nation, the region suffered a recession at the beginning of the 1980's. Unlike the rest of the country, the region's recovery has been painfully slow. During the 1980's, employment in the region has grown just two-tenths of one percent per year, barely one-tenth of the national rate.

THE ROOTS OF THE PROBLEM

The strengths of Southwest Virginia are its people, its natural resources, and its scenic beauty. But if the region is to develop economically, it must overcome several drawbacks. These weaknesses must be faced if efforts at economic development are going to work.

Geography. Historically, the rugged terrain of the Appalachian Highlands and their distance from metropolitan centers have retarded economic growth. In the last three decades, the building of interstates 77 and 81; improvements to arterials US 460, 23, and 19; and expansion of airports in Roanoke and the Tri-Cities have made the situation better. Television and telecommunications have cracked the region's isolation. But Southwest Virginia still is distant from large markets.

Inadequate roads, water systems, and sewers. Although Southwest Virginia is well connected to other regions by interstate highways, internal roads and highways are far from satisfactory. Few companies will move into an area without good roads, and new businesses are unlikely to emerge if they have trouble getting raw materials or shipping their products. Poor roads then, are a major economic handicap. The problem is most severe in the coalfields. These counties need to create new sources of jobs, but they will have a hard time doing so as long as they are cut off by poor roads.

Over the past several years, the condition of the region's roads has brightened. The state has made a big investment in primary and secondary roads. Further, recent rises in the sales, gas, and other taxes (together with federal funds) will yield \$90 million a year to build and improve roads in Southwest Virginia.

In many communities, economic and residential development is held back by overburdened, substandard water and sewage treatment plants. Without water and sewage treatment capacity, economic development will stop dead in its tracks.

Educational Levels. Although Southwest Virginians are much better educated than they were at the end of World War II, the region's adults remain poorly schooled compared to other Virginians and other Americans. The average number of years of school completed by adults, the high school dropout rate, and the percentage of adults with high school diplomas and college degrees are worse than the rest of the state and the U.S. as a whole.

A poorly educated work force is a stumbling block to attracting new firms and to revitalizing the region's economy. Employers consider a poorly educated labor force as an unproductive labor force — one that will have trouble learning new skills. The educational deficit will be a big drawback in creating jobs in information processing, professional and business services, and high-tech manufacturing — exactly the areas where the region needs strength.

Education affects more than the work force; it influences the quality of public leadership and spirit of entrepreneurship.

Lack of a Major City. The region is bordered by Roanoke and the Tri-Cities, but there is no large city within Southwest Virginia. This hinders the region in many ways. The lack of many financial and business services found in large cities is a handicap for small businesses. The absence of a major airport reduces the region's appeal to companies that depend on scheduled air service. Such firms include corporate headquarters, consultants, firms with sales people who must visit distant customers, and high tech operations that need outside contacts to stay at the cutting edge. The absence of cultural amenities found in big cities makes it difficult to recruit managers, professionals, and technicians.

Lack of Regional Unity. Topography and the existence of many small jurisdictions have worked against the pooling of resources and regional teamwork. Fortunately, highway engineering, electronic media, and governmental initiatives are changing the situation, and a regional spirit is emerging.

Economic Base. The Southwest Virginia economy is concentrated in industries — especially manufacturing, agriculture, and mining — where employment nationally is growing little if any.

Manufacturing. Manufacturing employment in the U.S. has not grown since the mid Sixties and is now threatened from two directions. America is exporting low wage manufacturing jobs overseas, while automation within U.S. manufacturing is producing large increases in output per worker. Employment among the Fortune 500 is shrinking, while employment in service industries rises. Nationally, employment may grow in high tech manufacturing — for example, genetic engineering, supercomputers, and superconductivity — but Southwest Virginia has not attracted high tech enterprises. Instead, many of the region's manufacturing jobs are vulnerable to foreign competition and automation.

Agriculture. In 1946, agricultural employment in the United States was near 10 million. It is now around 3 million. With further increases in productivity, agricultural employment may fall even more.

Coal. Employment in coal mining has fluctuated since World War II, but the trend has been downward, and further losses are likely. Coal mining employment turned up after the oil price shocks of the 1970's, but the recent drop in oil prices cancelled those gains.

The Virginia coal industry faces several threats. Both the international and domestic markets for coal are highly competitive. New techniques, notably long wall mining, are raising productivity. Even if production goes up, employment may drop.

A STRATEGY FOR DEVELOPMENT

Within the contest of strengths as well as weaknesses, Southwest Virginia must begin now to build a better economy for tomorrow. Actions must be taken on four fronts to spur development in the region:

- **Setting the stage.** Southwest Virginia must overcome shortcomings in education, transportation, and public utilities. Everything else hinges on this.
- **Building on what we have.** While trying to attract new businesses, public officials should not neglect existing businesses and should exploit the potential for new enterprises and the growth of the region's small businesses.
- **Marketing the region.** Business leaders throughout the world need to be convinced of the benefits of locating in Southwest Virginia.
- **Building regional unity.** Southwest Virginians must work as a team to advance their common goals and must have a strong voice in Richmond and Washington. This will require leadership and organization.

SETTING THE STAGE

Southwest Virginia needs to catch up with competing areas. Doing so will require major investments in education, transportation, and public utilities.

Making this investment will require increased local fiscal effort — a need that must be faced squarely. Most people think their taxes are high. But the fact is that tax effort in the region — local taxes as a percentage of personal income — is 64 percent of the average for the state. Therefore, the region's citizens must face the need to make a greater local investment. The willingness to make this investment may be the acid test whether Southwest Virginia can seize control of its future.

SETTING THE STAGE: Investing in People

The days when businesses moved to the rural South, lured by a low-wage (but poorly educated) work force, are drawing to a close. More and more, if a product can be made with low-wage labor, it will not be made in the United States.

The educational and the economic lags are linked. An unskilled work force makes it more difficult to draw businesses to the area. But the lack of jobs reduces a worker's motivation to learn new skills. The cycle must be broken.

First, elementary and secondary education must be improved. At present, school systems in Southwest Virginia pay their teachers less and spend less per pupil than the average school in Virginia. Moreover, the number of students per teacher exceeds the average for the state.

These facts point to one conclusion:

Recommendation I

If they want more jobs and higher incomes for their citizens, local governments in Southwest Virginia should substantially increase their spending on elementary and secondary education. Extra spending alone will not guarantee good schools. But since the region has a long way to go just to catch up, it will not make headway without it.

What will more money buy?

- More money can be used to hire and retain good teachers. Unless salaries are high enough to hire competent teachers, then all talk of teacher competency is self-deceiving.
- More money can bring about smaller classes, which will go a long way in helping students learn more.
- More money can be used to offer a richer variety of academic and vocational courses so that our young people can be taught the right mix of skills to equip them for tomorrow's jobs.
- More money can be used to hire enough teachers to work with individual students so that all school children in the region can read and write by the time they leave elementary school.
- More money can be used to hire counselors and give students individual attention to keep them from dropping out.
- More money can be used to pay for in service training and other forms of education to help teachers stay up to date and refine their skills.

As local governments make a greater effort, it is vital that the present formula for distributing state aid not be changed. Under today's formula, the greatest amounts of state aid go to the poorest school divisions the ones that are least able to raise local taxes to pay for education. Without the current formula the children of Southwest Virginia will be shortchanged.

Spending more to improve grade schools and high schools is an investment that will pay off handsomely. But it will be years before today's students enter the work force in large numbers. Four out of five adults who will be in the work force in the year 2000 are already adults and are beyond the reach of public schools. Moreover, the average worker today can expect to make four or five complete career changes during a working life, each requiring new skills. Education has become a lifelong need. Because the needs of the region for adult and continuing education are urgent, several steps should be taken now.



Photo Courtesy of APCO

Recommendation II

The General Assembly should appropriate \$250,000 per college for each of the region's community colleges to mount an all out assault on adult illiteracy. To the adult who cannot read life is a closed book. Yet, across the nation, one in five adults cannot read well enough to fill out a job application or follow simple instructions, and in Southwest Virginia the proportion is even higher. The toll is not just personal. The presence in the work force of a large number of adults who cannot read is a drag on the region's economy.

The 1987 General Assembly appropriated \$250,000 to strengthen the successful literacy program at Mountain Empire Community College. Similar programs should be started at each of the other community colleges in Southwest Virginia. These programs should combine on-and off-campus instruction and should be offered to participants tuition free. They should continue to make effective use of volunteers.

Recommendation III

Training and retraining the region's work force for tomorrow's jobs should be the primary mission of the area's community colleges. Southwest Virginia's five community colleges should take the lead in carrying out a major expansion of adult education and training in their service areas, on and off campus. To help them, state government should increase funding for instructors, equipments, and audio visual aids and computer-assisted instruction. The General Assembly should appropriate \$200,000 a year per community college for this purpose and give high priority to needed community college facilities.

To equip their graduates for jobs that have a future and to help business and industry, training and vocational programs must be kept current with changes in the work place. The community colleges should work with business and industry in Southwest Virginia and the Department of Economic Development to identify training needs. Training programs should be monitored to see that they keep pace with changing technology. To make sure that workers learn to use the kinds of equipment needed on the job, state government should set up a fund to lease or pay for training and retraining. Instructors must themselves go back to school often to make sure their teaching is up to date.

Recommendation IV

Virginia Tech should offer a Masters of Business Administration, and Clinch Valley College should offer expanded undergraduate programs, across the region. Masters programs in engineering by University of Virginia and Virginia Tech are now available in Abingdon, as is a masters in elementary education at several locations. For advancing economic development, Virginia Tech should also offer graduate degree programs in business administration, mining, and secondary education. The availability of graduate courses will strengthen some existing companies and will often appeal to firms that might locate in Southwest Virginia. Companies in growing industries have to compete to recruit young engineers, technicians, and executives whose decisions on where to work are swayed impart by whether they can take graduate courses to further their professional development. Beyond upgrading the skills of the region's managers and professionals, graduate programs will advance community leadership and entrepreneurship. Both Virginia Tech and the University of Virginia have continuing roles and responsibilities in the region.

Similarly, opportunities in the region for undergraduate degree programs must be expanded. The best way to accomplish this is to fund Clinch Valley College to conduct the programs, and to fund facilities at appropriate community colleges for this purpose.

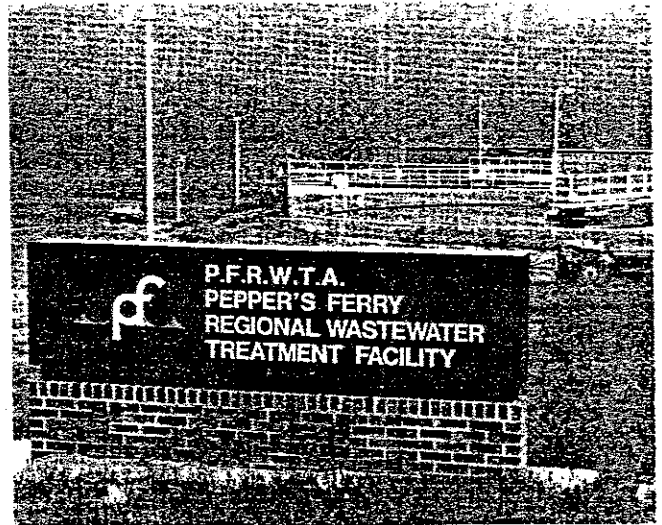


Photo Courtesy of APCO

SETTING THE STAGE: Improving Roads, Highways, Water, and Sewage Treatment

The top priority for physical improvements is roads and highways. Poor roads inflate transportation costs and cancel out the region's advantage in wage rates. Poor transportation makes many communities in the region undesirable places to live. By making travel difficult, poor roads fragment the region and isolate communities.

Recommendation V

To support economic development, the Virginia Transportation Board should make the fast completion of "job corridor" highways the top priority for allocating highway funds in Southwest Virginia. Although the Commonwealth has spent millions to build roads in Southwest Virginia, the job is far from done.

A regional transportation policy is needed. Roads must be seen as a tool for economic development, and priority should be assigned to road projects according to their potential to serve business and lure new firms. The number of permanent jobs created per dollar spent should weigh heavily in selecting projects for funding. Good highways serve as "job corridors," spawning economic activity in much the same way as the railroads once did.

The region has benefitted from its interstate highways. What is needed most is early completion of "job corridors", four lane highways which tie outlying communities to the interstate. Priority should be given to US 460 between Vansant and the Kentucky line, VA 83 from Vansant to Pound, US 19 from Lebanon to Claypool Hill, US 23 from Wise to Big Stone Gap, US 58 and VA 16 from Marion to Galax, and US 58 from Cumberland Gap to Duffield. Additional arterial highways and bypasses that link outlying communities to the interstate also need early attention.

Recommendation VI

The Governor and General Assembly should establish a program of one-time matching grants to enable local governments in distressed areas to bring their water and wastewater treatment, and solid waste disposal facilities up to standards. Public water and sewer are absolute requirements for commercial development — where water and sewers go, economic development can follow.

Needs for sizable investments in water and sewers in the region are urgent. To the extent possible, public investments in water and sewer should be keyed to overall planning for economic development. Over the next twenty years, Southwest Virginia's local governments face hundreds of millions of dollars of needed water and sewer facilities. These expenditures are vital to support growth and to maintain and replace aging, inadequate, and substandard water and sewer lines and water and sewage treatment facilities. The scale of these needs has implications that must be addressed:

- Water, sewer, and solid waste facilities are local government responsibilities. Financing them will put far more financial pressure on local governments in the future than in the past. Localities need to do careful financial planning, and to set aside reserves to replace facilities.
- State government will need to provide far more financial help than in the past. The State Water Control Board should accelerate development of its low-interest revolving loan fund programs and monitor their effects so that the needs of poorer communities are met.
- To reduce this heavy financial burden, local governments must whenever possible act jointly with neighboring jurisdictions to build and operate facilities.

These are long-range guidelines. One action, however, should be taken immediately. Loans from the Water and Wastewater Revolving Funds, as well as from the Virginia Resources Authority and commercial sources, are expected to meet most government needs to finance utilities. To comply with the federal Clean Water Act and bring their facilities up to standard, some Virginia communities may need more than just low-interest loans. Where chronic unemployment has weakened the ability to raise money through taxes or where the cost of improvements would push utility costs to unaffordable levels, outside help is needed. The General Assembly should establish criteria for identifying distressed communities, and should establish a program to pay part of the cost of improvements necessary to bring their water, wastewater and solid waste disposal facilities up to current standards. Without this one-time matching grant many of our communities may never have the chance to move ahead.

Another factor hampering economic development in the rural counties of Southwest Virginia is the inability of county governments to finance long-term capital

projects. Under current state law, any funds borrowed by a county must be paid back within one year unless the voters of the county authorize long-term indebtedness through a referendum. Meanwhile, cities and towns are allowed to borrow up to ten percent of the value of the jurisdiction's real property without a referendum.

The justification for this distinction, whatever it was, has vanished.

Recommendation VII

The General Assembly and the people of Virginia should adopt an amendment to the Constitution of Virginia granting the same borrowing powers to counties as are now accorded to cities and towns. Increasingly, it is necessary for counties to construct, improve, and expand wastewater treatment facilities, water treatment plants, and solid waste disposal operations. Granting this borrowing authority is crucial for counties to finance those essential facilities for economic growth.

BUILDING ON WHAT WE HAVE

In today's economy, few new jobs are being created by large firms in mature industries. Instead, across the United States, four out of five new jobs result from the start up of new enterprises or the expansion of small businesses. The message for economic development is clear. While efforts are made to attract businesses from other states and other countries, the region's policy makers should not turn their back on the richest source of new jobs — the firms that are already here. Strenuous efforts should be made to help firms that are threatened by technological obsolescence and foreign competition and to nurture the new firms and small businesses that are the major source of new jobs.

Several steps should be taken to help existing business and industry:

Recommendation VIII

The State should set up a private Southwest Virginia Investment Corporation to provide venture capital to promising new enterprises. Such a for-profit development corporation would use private funds and banking know-how to create permanent, unsubsidized employment in the region through investment in innovative new business ventures. The shortage of venture capital in Southwest Virginia is a powerful factor in the region's failure to give birth to new enterprises at the same rate as other parts of the country.

Venture capital firms played a major role in the development of microelectronics and biotechnology. Many venture capitalists take equity positions in firms — part of their payment is stock in the firm. Capital gains on the winners balance losses on the losers, permitting financing of firms that are promising but too risky for banks and other conventional lenders.

Seed capital corporations carefully select the ventures they back by seeking out and identifying individuals with business ideas who could successfully implement innovative ventures. The corporations channel or provide directly technical and managerial assistance needed by entrepreneurs to carry out realistic business plans.

The Southwest Virginia Investment Corporation would do for promising new entrepreneurs what industrial revenue bonds and commercial banking do for going concerns. Kentucky, New York, Massachusetts, Michigan, and Pennsylvania have demonstrated that publicly founded venture capital firms can foster new, small businesses, creating permanent jobs. A nearby example is the Kentucky Highlands Investment Corporation which serves eastern Kentucky. Over ten years it has created 1300 permanent, unsubsidized jobs outside the coal industry.

The Commonwealth should allocate \$100,000 for organizing the corporation, establishing policies, and securing the initial private funds. Private funds would be raised through the sale of stocks or bonds to financial institutions, individuals, and companies doing business in the region. Despite the condition of its economy, Southwest Virginia does not lack for wealth, much of which has come from coal and other natural resources. A main function of the investment corporation would be to encourage reinvestment of this wealth in the region.

Venture capital will do much to foster new firms across the region. However, efforts must be made to increase the survival rate of these ventures and other small businesses already here. The time has come to create a major program of management and technical assistance for existing businesses in Southwest Virginia.

Recommendation IX

A regional Business Assistance Program should be established through the region's five community colleges to help local firms remain competitive, and to assist entrepreneurs in getting new ventures off the ground. Nationally, four out of five new jobs originate from expanding small businesses and new venture start-ups. To realize this potential motherlode of new employment, the community colleges of Southwest Virginia should offer to entrepreneurs management assistance of high quality.

Business Assistance Centers, located within community colleges, should have primary responsibility for the program. In addition to the community colleges, the program should involve the state's universities, the Center for Innovative Technology, the planning district commissions, and other sources of management assistance. The centers should:

- Provide information and direct assistance to business and industry, including labor and management training and retraining, access to capital, and "shirt sleeves" assistance;

- Have an experienced, professional staff with knowledgeable managers and industrial engineers able to work along side management in the region's offices, stores, and factories;
- Serve as a conduit for technology research and development and specialized assistance on problems of management and technology; and
- Keep informed of the needs of existing and potential firms so that effective assistance can be provided.

The centers should focus on applications of technology for new enterprises and small businesses. Southwest Virginia is not likely to become another Silicon Valley, but there is a good alternative. That is to get more technology into existing manufacturing and service industries, increasing the "value added" in their products, and developing new products and services. Incorporating technology may increase labor productivity, offsetting the advantage of low-wage competition in the Third World. Technology can help companies produce specialty products that are more resistant to foreign competition.

The 1987 General Assembly appropriated funds for Technology Transfer Directors at three community colleges in Southwest Virginia. These directors link the community colleges and the Center for Innovative Technology in Northern Virginia. Director positions should be expanded to all five community colleges and should be made an integral part of the Business Assistance Centers.

The region's community colleges are already moving in the right direction, but too slowly. Two steps are needed now. Most important, the community colleges must take the lead in creating a concerted, effective program on business assistance. Second, state officials must supply the necessary financial and official backing.

BUILDING ON WHAT WE HAVE: Developing Natural Resources

THE COAL INDUSTRY

Coal is basic to the economy of Southwest Virginia and employs 11,000 persons in Buchanan, Dickenson, Lee, Russell, Tazewell, and Wise counties. While these counties mined record tonages of coal in 1985 and 1986, unemployment in the region reached record levels as well, due largely to mechanization. The unemployment rate in the coal counties in 1985 was about 15 percent, three times the statewide figure for Virginia. Poverty in the coal counties is widespread.

Coal is more important to the region's economy than the number of jobs in coal mining alone would indicate. Jobs in the coal industry pay much more than the average manufacturing job so that the impact of the ups and downs of the coal industry are magnified. The fortunes of the coal industry also affect the health of such related industries as mining equipment, coal transportation.

Two courses should be pursued with respect to the coal industry: In the short term, whatever possible should be done to maintain employment in coal. Over the long term, starting now, the coal counties should diversify so that their economies are not tied solely to the fate of the coal industry. These goals do not conflict. They can and should be pursued at the same time.

One way to stimulate demand for coal would be to reduce the cost of shipping. Hampton Roads, 300 miles from the coalfields, is the largest coal exporting port in the U.S.; Virginia's coal producers claim, however, that they are unable to compete in export markets because of the high cost of rail transportation. Shipping rates are negotiated between coal producers and railroads and are not a matter of public record. Coal operators contend that since 80 percent of them have the Norfolk and Southern as their sole rail connection, rate negotiations too heavily favor the railroad.

A proposed remedy to this dilemma is the Consumer Rail Equity Act currently before Congress. This bill would amend the Staggers Act to allow captive shippers to challenge shipping rates. The Commission endorses this proposal.

State government should look into ways to boost consumption of Virginia coal. The General Assembly in 1987 required that state facilities purchase Virginia coal if the cost were not more than four percent greater than coal from outside the state. Electric utilities in the Commonwealth are now given tax breaks for burning Virginia coal. The General Assembly should continue to seek ways to promote the coal industry in the state.

Recommendation X

Coal and energy research should be increased to help the coal industry cut costs and to develop new uses for coal. During the past decade, research has done much to improve the efficiency of coal mining, the marketing of coal, and the expansion of its uses. These efforts have great long-term potential and should be increased. More support should be given to the Virginia Center for Coal and Energy Research, the VPI & SU Mining and Mineral Research Institute, and to private research efforts in this field.



Photo by Fred Cramer

DIVERSIFYING THE ECONOMY OF THE COALFIELDS

Diversifying the economy of the coal fields will require improving arterial highways and creating industrial and commercial sites. Improved reclamation of surface mined areas would help produce sites for industry. Reclamation also would make the area a more attractive place to live. Slag heaps and polluted ground water exact a toll in employment and income.

The Powell River Project is looking at these opportunities. Started by the coal industry, the project has sponsored research to improve the reclamation of mined land. Now the scope of the project is being broadened to include land-use planning and economic development strategies for the coal fields. A facility for this project, in conjunction with a branch of the VPI & SU Mining and Mineral Institute, should be established at Clinch Valley College, and its annual appropriation from the state should be increased to \$250,000 to be used for initiatives for economic development.



Photo by Fred Cramer

AGRICULTURE AND FOREST PRODUCTS

As with coal, employment in agriculture and timber will not grow much — national trends are downward. Nevertheless, these industries should receive help. At least one farmers market should be built in Southwest Virginia to give farmers a wholesaling and retailing facility (augmented by satellite storehouses serving outlying counties) that will help growers market their produce within the region and in adjoining states. Such a market would strengthen their position vis-a-vis their competitors in North Carolina, Tennessee, Kentucky, and West Virginia.

An energetic program of marketing and research should be undertaken to stimulate jobs in forest products industries, primarily hardwoods. New uses and new markets must be found for hardwoods; for example, production of lignin and ethanol should be promoted.

TOURISM

Tourism can play a major role in the economic development of the region. Southwest Virginia has all the right ingredients — beautiful scenery, historic sites, and outdoor recreation — to support a much larger tourism industry. Tourism creates jobs and opens opportunities for small businesses. By bringing money in from outside, like mining or manufacturing, tourism can boost local economies.

Recommendation XI

State government should launch a sustained effort to develop new parks and other tourist attractions in Southwest Virginia and to expand and improve the region's existing state parks and tourist sites. Among other actions, state government should encourage development of a park at Fisher's Peak on the Blue Ridge Parkway. Parks and tourist attractions in Southwest Virginia should be marketed and advertised aggressively. A regional office of the Virginia Division of Tourism should be established that would act as a catalyst for tourism-related activities in Southwest Virginia. This office would work closely with the regional tourism development organization and would help communities and local jurisdictions realize their potential for tourism development. The office could help educate local people, civic organizations, and government units about the benefits of tourism. All this would help bring about a regional approach to develop tourism. In addition, improvements are needed in road signs, welcome centers, and tourist information.

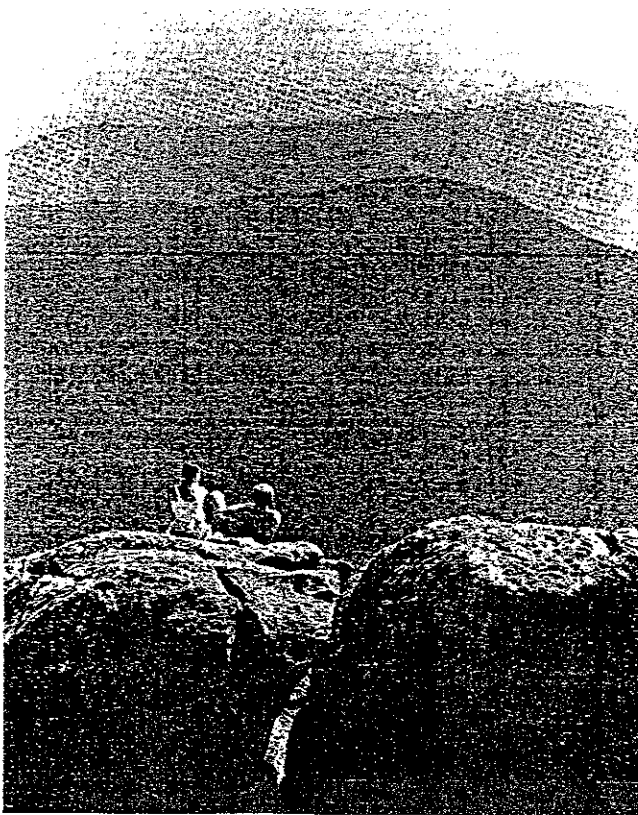


Photo by Fred Cramer

MARKETING SOUTHWEST VIRGINIA

Marketing is basic to any strategy for economic development. For Southwest Virginia, which is distant from centers of population, marketing is crucial.

Recommendation XII

The region should create a marketing organization whose aim would be to bring new industry to Southwest Virginia. Expanding firms will decide which areas of the country are right for them. But a region can miss out on plant locations simply because the companies are not aware of what a region has to offer.

A new organization should be formed to help market the region. Its tasks should include:

- Assembling a data base on the region's workforce, industrial sites, and utilities;
- Preparing promotional materials;
- Identifying target industries that are most likely to come to the region;
- Developing local incentive packages to help bring industries into distressed communities;
- Contacting industrial and business prospects; and
- Handling visits to the region by industrial prospects in conjunction with the Southwest Virginia office of the Department of Economic Development.

The organization should be funded by the region's banks, utilities, local governments, and chambers of commerce. Strong support is needed from the business community in the region if this effort is to succeed.

The marketing effort should have two thrusts: (1) a campaign based on advertising and public relations should be launched to make Southwest Virginia and its assets better known within the national and international business communities; and (2) this effort should be supported by a solid base of information so that when a firm shows interest in the region, it can be furnished with detailed information on sites, labor costs, taxes, land use controls, and utility costs.

Special marketing efforts should target businesses and industries that are well matched to Southwest Virginia. These special efforts should be based on sound research that guarantees that marketing dollars are wisely spent. The state already has appropriated \$100,000 to conduct a target industry study for Southwest Virginia.

The stampede of plants to the south may be over, but a number of companies continue to look for new locations. George B. Autry, MDC, Inc., in *Shadows in the Sunbelt*, points out that "there are alternative development strategies which can be implemented by state and local governments in the South to promote

employment opportunities and economic growth, countering the adverse trends we see today." To assist in securing employment opportunities and economic growth in Southwest Virginia, a new approach is needed.

Recommendation XIII

The General Assembly should create a revolving loan fund of \$75 million to provide low interest financing to firms that are expanding in the region or moving to Southwest Virginia. This fund would be available to localities to build water lines and sewers at their industrial sites, to construct shell buildings, and to lend to industries building new plants or expanding existing facilities. The fund also would be a key tool for the regional marketing organization and the staff at the Southwest Virginia Office of the Virginia Department of Economic Development to promote the growth of the region.

A locality would be eligible for loans from the fund based on its unemployment rate and the lender's judgment that the loan will be repaid.

The fund would be administered under the jurisdiction of the Secretary of Economic Development. The Division of Housing and Community Development, under the Secretary, already is administering similar programs, including a revolving fund and community development block grants.

The fund would total \$75 million, with initial funding of \$10 million, \$25 million the second year, and \$10 million for each of the next four years. Loans would be limited to ten years with an interest rate of one to three percent. The low interest loan pool could be established by the General Assembly by separate appropriation, or loans could be made from retirement trust fund accounts at market rates with appropriations of state tax dollars to reduce the interest rates paid by borrowers.

BUILDING REGIONAL UNITY

Regional cooperation is essential for economic progress in Southwest Virginia. The Southwest Virginia Economic Development Commission has brought together leaders from across the region to explore the region's opportunities. The Commission's legislative charter expires on June 30, 1987, so an organization is needed to pick up where the Commission leaves off.

Recommendation XIV

The leadership of Southwest Virginia should form an organization to build regional unity and to be an advocate for Southwest Virginia. This organization, tentatively named "The Southwest Virginia Partnership," should have four missions:

- Monitoring changes affecting the region and assessing issues and opportunities;

- Building a regional consensus by being a forum for discussion and a vehicle for conducting studies;
- Enhancing the region's ability to act on its own by facilitating regional teamwork; and
- Advocating regional positions, based on study and consensus, to public officials at all levels of government and to executives of business and non-profit organizations.

Membership on the organization's board would include chairmen of the planning district commissions, community college presidents, elected officials, business men and women, utility executives, bankers, and citizens.

Recommendation XV

An energetic program to develop leaders within Southwest Virginia should be carried out by the new branch of the Institute of Government at Clinch Valley College, working with Virginia Tech, the community colleges, the planning district commissions, and local chambers of commerce. Much of Southwest Virginia's economic future rests in the hands of business and community leaders and public officials. Their vision and the quality of leadership they exercise will determine whether the region confronts its problems and fulfills its potential. An investment in developing the leadership of the region will pay large dividends.

A specific step is needed now: initiation of a series of leadership seminars. The seminar series would focus on development issues and the resources and actions for attacking them. Participants would be nominated, five from each of the twenty-one local jurisdictions. Because of its strength in community and economic development and its tradition of extension work, Virginia Tech should sponsor these seminars. Initial seminars would be funded by state government, later ones by business and industry.

Recommendation XVI

State funding should be increased so that each of the planning district commissions in Southwest Virginia receives an annual state appropriation of at least \$100,000. The planning district commissions will play a key role in the Southwest Virginia Partnership organization and will help local economic development efforts. Also, their assistance is greatly needed by localities trying to assess and plan for their water, sewer, and solid waste disposal needs, and by small businesses. The PDCs already have to work within tight budgets, and they cannot play a bigger part without adequate staff.

CONCLUSION

A number of futures can be imagined for the economy of Southwest Virginia. One can imagine a booming economy with skyrocketing personal incomes and widespread affluence. Or one can foresee a failing economy where people are out of work and short of hope.

The most likely future lies somewhere in between. The outlook for the region's future should give rise to neither unbounded optimism nor unqualified pessimism.

Instead, by working together to pursue their common goals, through their own efforts and with the help of their fellow Virginians, the citizens of Southwest Virginia can look forward to a bright economic future.

By acting with wisdom, patience, and resolve, Southwest Virginians can narrow and then eliminate the difference in income and unemployment between their region and the rest of the Commonwealth. With a united regional effort, by the end of the century, they can add 50,000 jobs to the region's economy. Income per person, in 1984 dollars, can be raised from \$8,300 to \$13,000. Through a partnership with state government, an improved educational system is within the region's reach, and adults can be supplied with the training and education they need to be productive participants in the economy of the future.

The economy can be diversified. Southwest Virginia's manufacturers, retailers, wholesalers, and service industries can turn technology to their competitive advantage. Greater economic opportunity can be opened up so that Southwest Virginia's young people can live their lives, raise their children, and fulfill their dreams at home.

The cure for the region's economic ills will not be quick or easy. The problems are long standing, and they will take hard work and time to solve.

The years ahead will offer opportunity for both success and failure. Southwest Virginians have much to achieve. But to achieve it, they cannot stand still. Their future will be made and remade by the actions they take today.

The reports of the task forces — Education, Marketing Strategies, Natural Resources, Tourism, Transportation, and Utilities — are available in the libraries of Southwest Virginia community colleges, planning district commissions and the Southwest Virginia office of the Department of Economic Development.

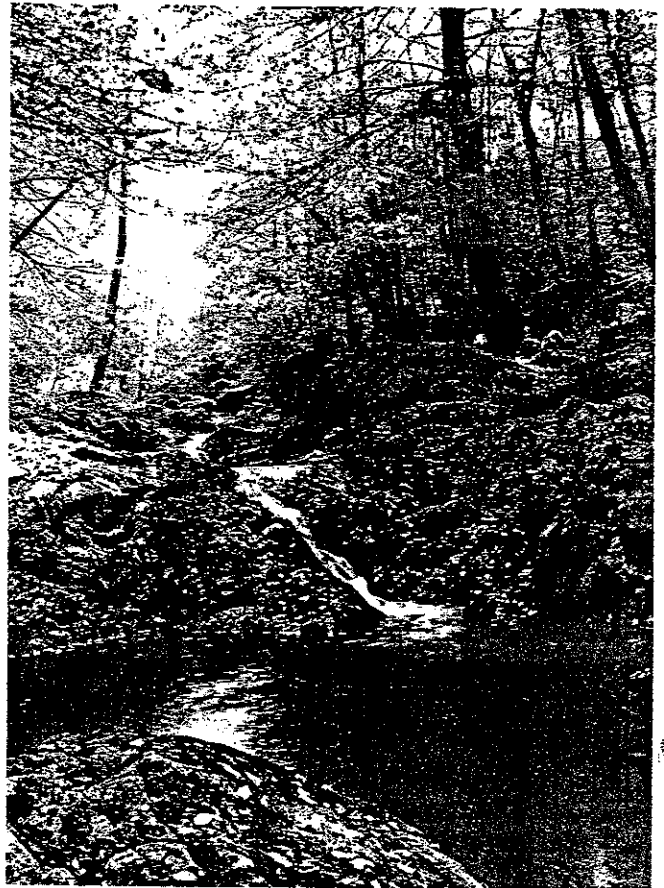


Photo by Fred Cramer

Ralph B. Davis
Eugene S. Kuhl

D. Beckman

David W. Rensdorp

Ronald E. Thomson

William
Bill E. Lee

John Robinson

Thomas G. Taylor

Arthur D. Gutz

Butterfield Thomas

Ally
J.R.
Charles G. Gatz

Alvin Dew Hofa
Bene X. Robette
Arthur Brown
H. Rance Lane

SOUTHWEST VIRGINIA ECONOMIC DEVELOPMENT COMMISSION



Chairman
Delegate Charles C. Lacy
Pres., Wytheville Block Co.
Wytheville



Bruce K. Robinette
Executive Director
Lenowisco PDC
Duffield



Vice Chairman
Senator James P. Jones
Att., Penn, Stuart, Eskridge, & Jones
Bristol



Delegate James W. Robinson
Commercial Loan Officer
Sovran Bank
Pound



Senator John C. Buchanan
Physician
Wise



David W. Rundgren
Executive Director
New River PDC
Radford



Andrew Chafin
Executive Director
Cumberland Plateau
Lebanon



Donald R. Shackelford
Lee County Board of Supervisors
Pennington Gap



Ralph B. Davis
Consultant
Cedar Bluff



Richard E. Sorensen
Dean, College of Business
VPI & SU
Blacksburg



H. Randall Edwards
President
New River Community College
Dublin



Thomas G. Taylor
Executive Director
Mount Rogers PDC
Marion



Arthur Gurley
Vice Mayor
City of Galax
Galax



Betty S. Thomas
County Administrator
Montgomery County
Christiansburg



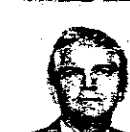
Eugene S. Hearl
Regional Executive Officer
Dominion Bank
Grundy



Ronald E. Thomason
Plant Manager
Merillat Industries
Atkins



Willard W. Owens
Vice President — Human Resources
United Coal Co.
Grundy



Jerry R. Whitehurst
Division Manager, Pulaski Division
Appalachian Power Company
Pulaski



Arthur S. Powers
Executive Vice Pres. & Publisher
Bristol Newspaper
Bristol



Charles S. Yates
Regional Services Manager
Virginia Division of Econ. Devel.
Abingdon



Delegate Ford C. Quillen
Attorney
Ford Quillen Law Offices
Gate City

COMMISSION TASK FORCES

EDUCATION

James P. Jones, Chairman
H. Randall Edwards
Ronald E. Thomason

Ad Hoc Members

Gail Eberhardt, Abingdon
Rachel D. Fowlkes, Abingdon
Cynthia G. Hilliard, Dublin
James D. Graham, Wise
Jack L. Rudolph, Independence
W. Edmund Moomaw, Wise

Principal Advisor

Samuel D. Morgan*

Field Extension Agents

Nancy Ascue, Lebanon
Gary Dingus, Clintwood

MARKETING STRATEGIES

Ralph B. Davis, Chairman
David W. Rundgren
Betty S. Thomas
Charles S. Yates
Eugene S. Hearl

Ad Hoc Members

Perry Davis, Wytheville
Armand M. Opitz, Richlands
Benjamin L. Susman, III, Tazewell
Charle M. Kilgore, Grundy
Lowell M. Britt, Marion
Franklin E. Crockett, Gate City

Principal Advisor

James E. Littlefield*

Field Extension Agents

Joe Derting, Abingdon
Jim McDonald, Tazewell

NATURAL RESOURCES

Ford C. Quillen, Chairman
John C. Buchanan
Bruce K. Robinette
Andrew Chafin

Ad Hoc Members

Waldon Kerns*
Mark Eden, Dungannon
Isaac J. Webb, Bluefield
Luke Staengl, Floyd
J. C. Higginbotham, Jonesville

Principal Advisors

John Randolph*
David Loeks*

Field Extension Agents

Tom Tabor, Hillsville
Doug Harris, Wise

TOURISM

Richard E. Sorensen, Chairman
Arthur Gurley
Arthur S. Powers

Ad Hoc Members

Harold Armsey, Norton
Pralhad Kasturi, Radford
Carol Dewes, Bristol
Michael D. Olsen*
Louise Givens-Reynolds, Radford
Edward B. Yates, Abingdon

Principal Advisor

Richard E. Sorensen*

Field Extension Agents

Betty Jean Moore, Jonesville
Mike Cassell, Gate City

TRANSPORTATION

Willard W. Owens, Chairman
James W. Robinson
Donald R. Shackelford

Ad Hoc Members

S. Kendall Anderson, Blacksburg
William H. Blevins, Chilhowie
Anne Burgess, Pulaski
James P. Edwards, Richlands
C. B. Slemp, Duffield

Principal Advisor

Thomas G. Johnson*

Field Extension Agents

Dick Cassell, Independence
David Danner, Bland

UTILITIES

Jerry R. Whitehurst, Chairman
Charles C. Lacy
Thomas G. Taylor

Ad Hoc Members

John H. Bissey, Radford
Larry Owens, Abingdon
Bobby R. Lane, Marion
Olin B. Willis, Abingdon

Principal Advisors

Robert C. Stuart*
James Hackett*

Field Extension Agents

George Abbot, Pulaski
Jerry Miller, Wythe Co.

Commission Staff

Robert E. Johnson, Executive Director (to 4/87)
Linda DiYorio, Administrative Assistant
Carolyn S. Brossy, Secretary
Wytheville Community College

Robert C. Stuart
Coordinator for Task Force Advisors
VPI & SU
Blacksburg

Linda Sydnor
Public Relations
Emory & Henry College

Robert de Voursney
Institute of Government
University of Virginia
Charlottesville

*VPI & SU, Blacksburg