Reshoring to Virginia: Understanding and Leveraging Total Cost of Ownership

Presented by: Trevor Flanery and Renee LoSapio
Care of: the Virginia Economic Development Partnership

Virginia Polytechnic Institute and State University
Economic Development Studio
Professors J. Provo and M. Cowell
December 5, 2012
Research Questions

- What is Reshoring?
- Why are Industries Reshoring?
- How can Virginia Promote Reshoring?

An estimated 2.4 million jobs are coming back to the United States tied to reshoring and export efforts.
Reshoring is the relocation or expansion of manufacturing and service industry functions within the US that are or have been susceptible to offshoring.

- A substantial portion will include foreign direct investment.
### What Industries are Reshoring?

<table>
<thead>
<tr>
<th>Tipping Point Industries</th>
<th>Virginia’s Industries</th>
<th>Sectors Investing in US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Electronics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fabricated Metals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plastics &amp; Rubber</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical Equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Why are Industries Reshoring?

**Offshoring Benefits**
- Low Wages
- 24/7 Service
- Currency Diversification

**Reshoring Benefits**
- High Quality High Value
- Access to Market
- Supply Chain Security
What Firms Want:

- Productivity
- Quality Control
- Innovation
- Supply Chain

What Virginia Offers:

- Regional Collaboration
- Workforce Development
- Research Partnerships
- Access to Markets Transportation

Old Model
How Can Virginia Promote Reshoring?

Lower the total cost of ownership by creating regional assets important to firms in reshoring industries.

1. Training and Workforce Development
2. Research and Development
3. Access to Market and Transportation
4. Regional Collaboration
Training and Workforce Development

What’s Working?
- Virginia Jobs Investment Program
  - Paper Plant at Franklin Mill

What’s Needed?
- Machinists
  - Expand training programs near Rolls Royce
- Pharmaceuticals
What’s Working?

- CCAM; CCAPS; GENEDGE
  - helped attract Rolls Royce
  - numerous Industry partners
  - numerous University partners

What’s Needed?

- Pharmaceuticals
  - Petersburg
  - Boeringer Inglheim
  - Virginia Commonwealth University
- Food Processing
- Furniture
Access to Market & Transportation

**WHAT'S WORKING**
- Strong, diverse transportation infrastructure

**WHAT'S NEEDED**
- Continued investment
Regional Collaboration

What’s Working?
- Financing power of Industrial Development Authorities (IDA)
  - ABB TRESP Expansions

What’s Needed?
- Investment in Assets
  - Workforce
  - Marketing
  - Regional Roundtables
Conclusions

- **Reshoring = jobs and investment in Virginia**

- **Firms are reshoring for high quality, high value products and services, assets and a skilled workforce, not low wages.**

- **Total cost of ownership**
  - Tailor investments and planning to lower or improve TCO for specific industries.

- **Next steps**
Thank You

“Reshoring to Virginia”
Virginia Tech Economic Development Studio
Fall 2012

Contributing Members:
Trevor Flanery  John Medeiros
Nathan George  Brad Rawls
Jillian Linnell  Brantley Sanderson
Renee LoSapio  Rich Saunders
Timothy Maher  Paul Stoddard
Ashley Matthews  Rongrong Wei
Rhianna McCarter  Steven Wingate

For more information, go to http://www.econdev.vt.edu/
John Provo  jprovo@vt.edu
Maggie Cowell  mmcowell@vt.edu