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The Op/Ed Page for Virginia's New Economy

Gottschalk Got Game

Virginia's new secretary of commerce and trade is eager to help Tim Kaine put his own imprint on Virginia's economic development policy. Likely starting points: energy and workforce development.

By James A. Bacon

Tim Kaine campaigned for governor last year on a platform of continuity with the Warner administration. So it's no surprise, especially given Virginia's strong record of job creation and income growth during the Warner years, that the Kaine administration's economic development policies are looking a lot like those of its predecessor.

"We feel like Governor [Mark R.] Warner and Secretary [Michael] Schewel did a great job of bringing us to where we are now. They set the bar pretty high," said Patrick Gottschalk, Schewel's replacement as Secretary of Commerce and Trade, in a recent interview at his downtown office.

There will be differences, though, Gottschalk insisted. "We're going to put our own stamp on economic development. ... Gov. Kaine is a different guy. He has his own views of where he wants to go and the emphasis he wants to put on things."

Other than straightening out Virginia's patchwork of workforce development programs -- Kaine is determined to fix a problem that vexed both the Gilmore and Warner administrations -- it's not clear yet exactly what the Governor will do that's

so different. Of course, that's hardly surprising considering that he has occupied office less than five months and spent most of that time preoccupied with getting a budget enacted. Furthermore, circumstances have had a way of intruding: This spring, Ford Motor Company announced its plans to close its Norfolk auto assembly plant, and then the Base Realignment and Closure Commission dropped a bombshell regarding Oceana Naval Air Station.



Now that budgetary issues have subsided, at least momentarily, economic development priorities are likely to crystallize. It will be Gottschalk's job to preside over the preparation of the state's economic development strategic plan, due for completion within a year after Kaine took office, as well as a statewide energy plan required by legislation passed this year.

Gottschalk, like Schewel, is a Richmond attorney and, like his predecessor, a team player. But where Warner's economic development chief focused on problem solving, he did not take to the schmoozing aspects of the job. By contrast, Gottschalk is affable, approachable and well connected to Virginia's economic development professionals through his long-time member-

ship in the Virginia Economic Developers Association. He also brings to the job a broad knowledge base of economic development issues and a network of contacts around the state.

In a wide-ranging interview, Gottschalk covered the waterfront of economic development. By the end, I was struck by how little Virginia's economic development policies hinge upon partisan loyalties or ideology. The Kaine administration's priorities, for the most part, were the priorities of the Warner administration -- and of the Gilmore administration before it. Economic development policy in Virginia is driven largely by regional interests and institutional constraints that transcend party lines.

If there is anything distinctive about the Kaine administration's approach to economic development at this early stage, it's the emphasis on workforce development. There is a broad consensus that Virginians must be equipped with the skills they need to compete in an international marketplace. Unfortunately, state, federal and local training and educational programs are often redundant, overlapping and inefficient. Previous efforts to bring order out of bureaucratic chaos have led to naught -- Gov. Warner once said that his failure to clean up workforce development was his greatest regret as governor.

The man selected to undertake that difficult job is former AFL-CIO official Daniel LeBlanc. In the early days of his administration, Kaine had attempted to appoint LeBlanc as Secretary of the Commonwealth, the cabinet

member who oversees the appointment of some 4,000 people to state boards and commissions. But Republicans in the House of Delegates, who objected to LeBlanc's opposition to Virginia's Right to Work law, noisily scuttled the appointment.

With little fanfare, Kaine then appointed LeBlanc to a position on his staff, giving him the title of "Senior Advisor to the Governor for Workforce" and elevating it to cabinet-level status. Indeed, the Governor's website lists LeBlanc on the web page of the Kaine cabinet. Gottschalk spoke of him as an equal. Said the Commerce chief: "We're going to work hard on streamlining the workforce delivery system. We have a cabinet-level senior advisor who will work on it full time."

Another new priority is energy policy, Gottschalk said. A comprehensive package of energy-related legislation requires the state to create a 10-year comprehensive Virginia Energy Plan to implement the Commonwealth's energy policy, addressing the potential development of off-shore natural gas as well as alternate and renewable energy sources such as solar, bio-fuels and tidal action. Said Gottschalk: "You're going to see some interest in trying to attract companies [with an expertise in alternate energy], some interest in universities doing research in the energy field."

Otherwise, economic development policy will look very familiar:

Southside/Southwest Virginia. "The Governor is going to focus on Southside and Southwest," said Gottschalk. "I've been down there nine or 10 times since inauguration," and the Governor has several times as well. A good number of in-

dustrial projects are in the pipeline, and he is optimistic that more jobs are coming to those distressed regions. "We feel pretty good about it."

Northern Virginia. Northern Virginia has plenty of jobs but not the folks to fill them. Growth is tempered by traffic congestion and high housing costs. "That's not something that's going to be addressed by traditional economic development," Gottschalk said. Breaking the congestion bottlenecks falls under the bailiwick of the Secretary of Transportation.

Research and development. "The Governor is really interested in maximizing economic development that can be gained through university R&D and commercializing technology," Gottschalk said. He foresees efforts to emphasize university R&D in areas that are strategically important, such as energy, or are tied to emerging growth sectors of the economy such as biotechnology, nanotech and modeling & simulation.

Ford Motor Company. Ford's announcement that it plans to close its Norfolk plant was a tremendous setback. The loss of 2,250 highly paid auto worker jobs will be a serious hit to the Hampton Roads economy, surpassing all the 1,882 jobs in 15 plant expansions announced by the Kaine administration through late May. The Kaine crew surged into emergency response mode, but there was no way to salvage the situation, Gottschalk said. "Everyone within Ford and outside of Ford is very complimentary of the plant and the work ethic." The problem is that of the three F150 truck assembly plants, Kansas City and Dearborn are located much closer than Norfolk to Ford's automotive suppliers. He's heard that the cost differ-

ential amounts to \$300 per truck, he said. "It's geography."

Oceana. The Base Realignment and Closure Commission announced this spring that it was not satisfied with the city of Virginia Beach's efforts to curtail development around the Oceana Naval Air Station, heightening concern that the Defense Department will relocate the air base. Robert P. Crouch, a cabinet-level assistant to the governor for commonwealth preparedness, is the point man for the ongoing controversy.

Fort Monroe. Fort Monroe in Hampton will close in 2011 as part of the military base-closing process. Two thirds of the land will revert to the Commonwealth, giving the state a tremendous re-development opportunity. Said Gottschalk, who is in charge of this project: "We want it to be a world-class development that's befitting the character of Fort Monroe. You want to keep the character [of the national historic landmark] - - make it something that everybody's proud of."

The distributed service initiative. This effort, spearheaded by Jeff Anderson, director of the Virginia Economic Development Partnership, is targeting Northern Virginia technology companies to relocate back-office operations downstate. "They're trying to convince the Northern Virginia companies with back office operations like human resources, accounts receivables, that sort of thing, to re-think where they should be located," Gottschalk explained. "Why not consider Danville, Martinsville and other areas for those activities? If you're a software company, you need your software and sales people in the Dulles Corridor. But you don't necessarily need the accounts payable people there."

Economic development isn't just his job, Gottschalk said, it's the job of every member of the cabinet. In the arena of university R&D, for instance, he'll be cooperating closely with Technology Secretary Aneesh Chopra and Education Secretary Thomas Morris. In the realm of health insurance, of critical importance to small businesses, he'll be collaborating with health Secretary Marilyn Tavenner. "We're looking at economic development very holistically."

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