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Saving the Mill Town

Globalization is undermining the economies of small factory towns across the South. Some say they're doomed. If so, Danville hasn't gotten the message.

By James A. Bacon

I'll never forget a conversation I had a couple of years ago with Donald Rataczak, the oft-quoted director of the Economic Forecasting Center at Georgia State University. I asked the economic guru if he held much hope for mill towns like Danville and Martinsville, which were suffering waves of layoffs at the time. Not really, he said bluntly. Their main competitive advantage was their supply of low-wage labor. But with the opening of global markets, manufacturers could find much cheaper manpower in Latin America and Asia. The economic justification for maintaining small, scattered manufacturing centers, which came into existence a century or more ago to tap cheap and abundant labor coming off the farms, no longer existed.

Judging by the churn in factory jobs, below-average education levels and limited fiscal resources, any objective observer would conclude that the outlook for Virginia's mill towns is dire. But it's too soon to write them off. The state is investing heavily in rural economic development, primarily through the distribution of tobacco settlement funds, and, driven by adversity, rural communities across the Commonwealth are engaging in imaginative experiments to revitalize their local economies. In Danville and neighboring Pittsylvania County, diverse initiatives are coming together in a particularly promising way. The region is investing in higher education. A Southside regional initiative is upgrading broadband Internet access. The regional airport is testing NASA technology that would make it more hospitable to small aircraft aviation. And a new research institute is bringing R&D to bear on critical local industries.

"I'm hopeful for Danville," Michael Schewel told me over coffee last week. "I find Danville to be pretty inspiring." As Secretary of Commerce and Trade, Schewel has worked closely with city fathers to recruit jobs and investment. They understand the stakes involved, he says. They know the fate that awaits them if they fail, and that makes them willing to take risks. "Danville has been the most innovative community in Virginia in responding to the problems it faces."

Danville, suggests Schewel, is a survivor. The region has already persevered through calamities that would have destroyed less resilient communities. The textile-apparel industry, once the economic mainstay of the region, has all but disappeared. Dan River Mills, which employed more than 30,000 in its glory days, has shrunk to a tenth its former size. Simultaneously, sales of tobacco leaf have eroded steadily. Once one of the largest centers of tobacco warehousing and distribution in the country, Danville has little left to show for its former prosperity but empty brick buildings and the headquarters of global tobacco trader Dimon Incorporated. Yet, the city hangs on, having nurtured a manufacturing base that is more diversified and less vulnerable than before to the vagaries of one or two industries.

The skill sets of the Danville-Pittsylvania workforce are best suited to manufacturing and, China be damned, there is still manufacturing investment in the U.S. to be had. Regional leadership is moving methodically to make the community as attractive as possible in the competition for that investment, says Schewel. "They've planned. They have a strategy" -- and they've been disciplined about executing it.

One of the greatest problems facing the city is geographic isolation -- it's off the Interstate, lacks commercial airline service and could use better broadband Internet connections. Danville can't do anything about that Interstate connection, but it's working on the other two.

The Danville Regional Airport is the first in the country to test the NASA-developed Small Aircraft Transportation System (SATS), a cluster of technologies

configured to make it easier for small aircraft to take off and land, around the clock and under most weather conditions. Relying upon inexpensive satellite technology, SATS will upgrade the capabilities of general aviation airports without the necessity of making make multi-million investments in ground-based radars, control towers and other equipment. (See "The Small Aircraft Revolution," October 18, 2004.) While the local market is too small to support regularly scheduled passenger service, the coming revolution in small aircraft aviation may make it possible to serve Danville's general aviation airport with flexible shared-ownership or air-taxi services. It's a shrewd move to position the city on the forefront of the Next Big Thing in the aviation industry.

To improve Internet connectivity, Danville and Pittsylvania have launched the eDan initiative to deploy broadband connectivity throughout the region. Plans call for building a fiber-optic spine running parallel to U.S. 29, linking the main communities in the region, creating Multimedia Services Access Points in each community, and bridging the last mile to customers with a mix of wireless and other technologies.

To Danville's economic development strategists, broadband is crucial in two ways. First, manufacturing operations increasingly require Internet access to integrate into global supply chains. Secondly, broadband access allows small service companies plug into a global network. As the eDan website puts it: "In a national economy that is producing most new jobs in one- to 25-person organizations, e-entrepreneurs and outsourced e-services providers can live in the Dan River Region and serve a distant market."

Superior aviation and broadband access will help Danville stand out when vying for the ever-shrinking pool of manufacturing investments. Meanwhile, the community hopes to build on the existing business base. Critical to this effort is the Institute for Advanced Learning and Research. A collaboration between Virginia Tech, Averett University, Dan River Community College and other local entities, this facility performs a number of vital functions. Most obviously, the Institute offers advanced programs of study, imparting skills in demand by local industry. But it also serves as a focal point for eDan infrastructure, and it sets aside 15,000 square feet of research space to pursue R&D projects that support local industry.

The R&D component is potentially the most innovative and far reaching aspect of the Institute, for it offers a capability found only at a handful of major research universities in the state. Rather than pursuing basic research, however, the Institute is focusing its R&D efforts on projects that can be applied to local industry.

For example, the Advanced and Applied Polymer Processing Institute -- an institute within an institute -- is researching polymer pultrusion processes, of interest to the local Goodyear tire plant, as well as composite fabrics and membranes for the deployment in lighter-than-air aircraft and blast-resistant and wind-resistant constructions. The Virginia Institute for Performance Engineering and Research, a partnership that encompasses the Virginia International Raceway, is probing vehicle dynamics and off-road mobility analysis in the hope of making Southside Virginia more attractive to the motor sports industry.

If the idea of attracting high-tech industry to Danville strikes you as phantasmagorical, think again. Earlier this year, Luna Innovations, a technology incubator in Blacksburg, invested $6.4 million to renovate an old tobacco warehouse and set up a nano-materials manufacturing operation. Admittedly, Danville didn't pull off this deal all by itself -- it received a little help from U.S. Sen. John Warner, not to mention $650,000 in state funds. But the deal was proof that Danville can compete for more than semi-skilled manufacturing jobs in light industry.

In a related coup, Luna Innovations recruited Dr. Stephen R. Wilson, a founder of a bio-nanotechnology company in Houston, Texas, and a world-renowned expert in fullerenes, and persuaded him to move to Danville to head the nano-materials division there.

Enlisting world-class scientists and executives is a must if Danville hopes to transform its labor-intensive, manufacturing-based economy to a knowledge-intensive economy. Danville is fortunate to have at least two major companies -- Dimon and Dan River -- that supports what Schewel calls a "depth of leadership" rare in a small city. That executive cadre creates a demand for higher-level housing stock and supports amenities -- from country clubs to coffee bars and clothing stores -- that appeal to other newcomers.

Even so, building the stock of human capital will be Danville's greatest challenge. Danville faces the classic rural conundrum: What's the incentive to raise taxes and invest in education if young people wind up moving to larger cities where they can put their higher-order skills to work?

It's an unfortunate fact of the early 21st century that executive, scientific and creative talent tends to migrate to larger cities that offer the amenities -- shops, dining, entertainment, schools -- that affluent people can afford. Corporations, in turn, tend to cluster where the talent is, which creates another attraction for larger cities -- they're where the jobs are. Dr. Wilson notwithstanding, it is very difficult for small cities like Danville to compete for human capital against metropolitan areas that offer better employment prospects and a wider range of cultural and entertainment options.

Schewel remains optimistic. "I find it hard to believe that everybody wants to live in a metroplex," he says. "I don't think you can say that the smaller-city model is dying." Small towns, in theory, offer people an alternative to the cosmopolitan lifestyle: charm, intimacy, connectedness with other people, and the satisfaction of being able to make a difference.

Unfortunately, Danville, like virtually every other small town in Virginia, is squandering its greatest advantage in the competition for human capital: its small-town charm. A historical city founded before the Civil War, Danville possesses a number of charming older districts. But rather than replicating the best of itself, Danville has embraced the worst flaws of the large metropolitan areas: the retail strips, the cul de sac subdivisions, the scattered shards of development connected only by the automobile. From my limited experience with the city, Danville is creating a sprawling, auto-centric development that not only is ugly but destroys the social cohesion that makes small towns special.

In sum, Danville and Pittsylvania County are doing many things right. They're developing the infrastructure of the 21st century, and they're aligning those investments with their existing business base. That makes the Danville region more forward thinking than most mill towns. But local leaders still need to confront the issue of recruiting and retaining human capital. And that means re-examining the scattered, low-density, disconnected pattern of development that undermines the region's quality of life.

Danville, like other small towns, needs to reinvest in its urban core. It needs to create clear edges between city, towns and hamlets on the one side, and the countryside on the other. It needs to create walkable, pedestrian-friendly communities and a balance between land uses within those communities. If it can address quality-of-life issues with the same diligence it has approached economic development, Danville can prove Donald Rataczak wrong. There *is* a future for the mill town -- not as a mill town but, transformed, as an outpost of the knowledge economy.

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Read more of Jim Bacon's columns about economic development at www.baconsrebellion.com.