

Annual Meeting – a stakeholders’ report
Thursday, September 25, 2008
Bijou Theatre

I. Welcome

Good Morning. I’m Mike Hamilton, chairman of the Knoxville Chamber’s Board of Directors, and I want to welcome you to the 2008 Annual Meeting. It is a pleasure for me to be here this morning, and an honor to serve as the chair of the Board.

In its 139 years, the Chamber has grown to become the strongest voice for business in the region, but it is more than simply an advocate. The organization provides tangible benefits and real resources for businesses of every size and in every industry. From information to research and networking to referrals, the Chamber’s many services help businesses identify new markets, capitalize on opportunities, overcome obstacles, and strive for greater economic success.

Your presence here this morning demonstrates your commitment to the Chamber, and your understanding of the value it holds for you, your business, and the entire regional business community. This is your organization. Its successes are your successes and its strengths are a reflection of your strength and your efforts in business.

Thank you for being a member of the Chamber and for attending this morning. Without your support the Chamber could not do all it does.

I also want to recognize some other important supporters of the Chamber – the Knoxville City Council, Knox County Commission, and mayors Bill Haslam and Mike Ragsdale. The Chamber serves as the economic development departments for both the city and the county. However, this is not a narrow relationship; it is a partnership between the governments and the business community. Together the Chamber and the city and county work to expand our industrial base, support our existing businesses, and plan for our economic future.

II. Introduction of Bijou Representative

This morning we are meeting in one of Knoxville’s landmarks. Reopening a little over two years ago following extensive renovations, the Bijou Theatre is located in Knoxville’s forth-oldest building and is a prized community asset.

I’m going to ask Ashley Capps of AC Entertainment, the company that manages the Bijou, to come and say a few words of welcome.

Thanks, Ashley...

III. Call Meeting to Order

I'd now like to call this meeting of the Board of Directors to order and ask the members of the Board to stand.

These board members represent the membership and the business community. It is important that the Board be diverse and that the Directors represent the varied viewpoints of the region. We have that in this Board. Hailing from small and large and industrial- and service-related businesses, the directors represent the Chamber's multifaceted membership well.

These people have dedicated themselves to the oversight and improvement of the organization. Many have volunteered substantial time to the Chamber, and led its committees in the important work they do. Thank you for your service; you may be seated.

I am proud of the many accomplishments of the Chamber during the last year. We improved member services and implemented a more reasonable membership structure. We've had some tremendous economic development successes. We have made progress on the issue of workforce development and our financial position is solid.

The Board of Directors has shown remarkable leadership.

These leaders must address the challenges that face the organization and the business community. But, I feel confident in their abilities.

I want to briefly discuss some of the challenges and opportunities I see ahead.

IV. Challenges and Opportunities

Economy

Monday, September 15th was the single worst day on Wall Street since 9/11. The Market dropped 504 points on news that Lehman Brothers had filed for Chapter 11 bankruptcy, Merrill Lynch was being acquired after more than \$17 billion in losses, and AIG – one of the world's largest insurers – said it would sell off part of its business to help recoup losses from the sub-prime mortgage crisis.

The housing, lending, and other financial sectors are all weak due in part to the mortgage crisis. Housing prices have dropped and homes are sitting on the market for months.

Fortunately, our regional economy hasn't been affected as badly as the national economy. In part because we benefit from stable institutions in our region like the University of Tennessee, ORNL, and TVA, Knoxville has not experienced the dramatic decline that others have. We also benefit from our location near major transportation arteries, and by having a number of corporate headquarters in the area.

But we must not turn a blind eye to the economic crisis or depend on Washington D.C. or Wall Street to fix it. We must aggressively commit to the strategies outlined in the work program of Innovation Valley Inc., the region's new five-year economic development plan. Building on the successes of Jobs Now!, Innovation Valley Inc. is not a neat thing to do... it is a necessary program to pursue. Through it we will market the region to prospective new businesses. We will work with existing businesses to identify new markets and avenues to growth. We will prepare our workforce for the jobs of the future. And we will prepare ourselves to take full advantage when the national economy rebounds.

Industrial Property

A part of that preparation must be to develop the Midway Business Park in east Knox County. This 350-acre track of land is flat and has immediate access to the Interstate. That makes it unparalleled in the county – no other property is as well positioned to serve future business needs.

There is some vocal public opposition to the business park. However, with the recent Volkswagen announcement to build a \$1 billion assembly plant in Chattanooga, we cannot be dissuaded from developing the park by a stubborn minority. Representative of the Chamber and Innovation Valley will soon be going to Germany with Governor Bredesen to build relationships and encourage more businesses to locate in the region. So, we need this business park to welcome the auto parts manufactures that will certainly look to Knoxville as a strategic location for new facilities and we need it to create new, high-skilled, and well-paying jobs.

Workforce & Education

Another part of that preparation must be to continue to focus on, and reform, education. Without a well-skilled workforce our business community cannot sustain itself and we will not be ready for the jobs of the future.

We've made substantial progress, and with Dr. Jim McIntyre we have the right person leading Knox County Schools. However, we must continue through, support the reforms, and advocate for change throughout the region. Dr. McIntyre is developing a plan and a budget to move our schools forward. We need to be prepared to support him so he can complete the job he was hired to do.

We must also have the backbone to carry through on the reforms and to stand up to negative public and parental perception when the standards are changed and the new standardized tests reflect the true achievement levels of our students.

As you know, 80 percent of Tennessee's students perform at a "proficient" level on the state's tests, but only 25 percent score at a comparable level on the national standardized test. So, when Tennessee improves the relevancy of its standardized tests there will be some complaints, hand wringing, and consternation among the public and politicians. We must stand against any backsliding on those standards or those tests. The test results must be a true measure of our education system and our students' proficiency. Because only when we have an accurate understanding of our progress can we achieve our goals.

Transportation

In 2002 the Tennessee Department of Transportation said that I-75 and I-40 in and around Knoxville would be in a state of failure by 2022. The department estimated that it would take as long as two hours to travel from Lenoir City to Lake City in 2012 and nearly three hours by 2022. In addition, TDOT claimed that west Knoxville residents traveling downtown for work would spend an hour or more in their cars a day by 2012. The economic and environmental toll was simply too high and necessitated the design of the Knoxville Parkway or "Orange Route."

Today, the Department of Transportation says the funds do not exist to begin the project, and that the project will not proceed without public support for tolls. But something must be done. A failure of the Interstate system is unacceptable and will place too heavy a burden on the residents, workers, and businesses in the region. TDOT must decide on a plan of action and we must demand that the state moves forward.

In addition, the state, federal, and local governments are delaying maintenance, repair, and repaving of roads and bridges. This crumbling infrastructure is a threat to public safety and business. We must adhere to the recommended maintenance schedule for our roads and bridges.

Government

We must also demand more from our state and local governments. Businesspeople need to require elected officials to major in the majors and not in the minors. They need to advance policies and legislation that looks to our collective long-term goals and our common long-term good. We need to hold them accountable, and we need to encourage more engaged, informed, and active Chamber members to seek public office.

Changing Marketplace

Today's world is driven by technology and information. We are inundated with email and text messages, websites, television programming, advertisements, and new technologies. We can be connected while being completely insulated from people.

This opens many exciting possibilities for business. We can get things done faster and more efficiently. We can cut costs and reduce timelines. However, it also requires a constant focus on innovation, remaining relevant, and being heard above the noise. The Chamber is no different.

As business people's time is compressed and technology advances, the Chamber must find ways to continue to serve its members. It must identify new benefits to offer, and it must continue to serve its traditional roles. The Chamber must also develop new and better ways to communicate with its members and the public.

This is the biggest challenge facing our organization. Yet, we are well positioned to face this challenge and to develop into a dynamic organization that better serves its members.

In part, we're prepared to face this challenge because of the accomplishments of the past fiscal year. Let's highlight some of those achievements.

V. Accomplishments

a. Membership

As I said earlier, the Chamber is a membership organization and its success is incumbent on serving its members. With that principle in mind, the Chamber's membership department exhaustively examined the membership structure and benefits last year. With an eye toward adding benefits and making membership levels more logical, the Chamber introduced Tiered Benefits.

This innovative membership structure allows members to make choices. The new arrangement is flexible and permits members to make value-based decisions about what is right for their business. Membership is no longer based on the number of employees a business has; it is based on the level of services it needs.

Member services are arranged in a "menu," and members select the level of benefits and level of investment that matches their desires. Existing members are being transitioned to the Tiered Benefits system throughout this year.

This year, the Membership Committee helped the Chamber launch a co-op advertising project. It makes it possible for members to highlight their relationship with the Chamber while encouraging other businesses to join the organization. Using bumper stickers, signs, billboards, and newspaper ads, companies are spreading the word about the Chamber.

In 2007-2008 the Chamber added 387 new members and retained over 75 percent of existing members. These statistics reflect the value businesses receive from the Chamber, and they acknowledge the hard work of the Chamber's account executives. The American Chamber of Commerce Executives recognized two staff members for their achievements. Ashleigh Adkins was the 15th ranked chamber account executive in the U.S. and Jennifer Elkins was ranked 22nd. During her career Ashleigh has helped 526 businesses join the Knoxville Chamber and has been recognized as a member of the Circle of Champions.

The Chamber's membership department depends heavily on a dedicated cadre of volunteers to ensure that it delivers membership benefits. This year more than 7,400 hours of time were donated by volunteers, much of that coming from the Chamber's group of Ambassadors. We want to publicly thank them for their service. Will the Ambassadors here this morning please stand?
...Thank you.

b. Events

Chamber events are one of the key ways that many members network, identify new customers, and spread the word about their business.

In 2007-2008, the Chamber produced 45 member-driven events, which represents a 15 percent increase over the previous year. More than 7,600 people attended those events including an average of 270 at eleven Business After Hours and a.m. Exchange networking functions. That's a 9 percent increase in total attendance and a 54 percent increase at the networking events. The Chamber saw record crowds at the Governor's Luncheon and the Pinnacle Business Awards gala.

In addition, the organization helped members celebrate 30 ribbon cuttings and grand openings – that's a 20 percent increase year-over-year.

c. Finance & Operations

The Chamber's financial position is strong. For the 7th consecutive year the organization ended the year with a positive bottom-line. That is fantastic news, and demonstrates the sound financial management of the Chamber, and the close fiscal oversight by the board. The Chamber is conservative with your

investment, and at the same time works to ensure that you receive maximum member benefits and that all its financial and mission obligations are fulfilled.

A traditional measurement that all chambers track and report is the number of relocation packets requested each year. This year the Knoxville Chamber distributed nearly 3,000 packets to individuals interested in Knoxville and businesses seeking to recruit new employees.

The organization also responded to more than 42,500 phone calls, had 6,500 walk-in visitors and experienced more than 8 million website hits and 921,000 page-views.

The staff also implemented a green office program, which focuses on reducing waste, energy use, and increasing recycling and public awareness. Available reports showed that we recycled 42 pounds of aluminum, 560 pounds of plastic, and 4,200 pounds of paper in the period of March to May 2008. A green committee was established to help staff generate new ideas and those have been employed by the Chamber and shared with volunteers, event attendees, and the general public.

d. Communications

One of those ideas was the development and launch a Green Business Recognition Program. The effort celebrates the environmental and waste prevention efforts of members. Qualifying businesses are featured in the newsletter, online, at events, and receive a window cling to display.

To participate, members simply complete an online application that requires them to report on their green efforts. The program not only recognizes members, but it encourages others to save energy and reduce waste. In addition, the application is a handy checklist for businesses interested in launching their own green business initiative.

Information about the program is available online at www.knoxvillechamber.com.

This year, the Chamber produced a stunning 300-page pictorial profile of the Knoxville area. The coffee table book dramatically portrays what it is like to live, work, and play in the region. It generated non-dues revenue for the Chamber and the books are being used to help recruit new businesses to the Innovation Valley.

The Communications department also more aggressively marketed the organization and its services using the testimonies of members, improved the website's search engine rankings, and refocused the newsletter on more Chamber initiatives and Chamber members. The Chamber also included

significantly more information on the website and added two blogs, which allow for breaking news and coverage of member's announcements, information, and events.

e. Government Relations

Advocacy is an important reason to become a member of the Chamber. By banding together area businesses are able to have a greater impact in the halls of government.

This year, the Chamber developed a focused and aggressive legislative agenda. We urged the Tennessee General Assembly to approve and implement significant reforms to state education standards and ensure that accessible, affordable, and adequately reimbursed healthcare services are available in the region. The Chamber also had two bills introduced to provide economic development incentives to, research and development, and technology companies interested in locating or expanding in the state.

The organization also vocally opposed legislation that would have allowed for the election of local school superintendents. Returning to an elected school superintendent would distract these leaders from the important work they must do to transform our school systems. While the legislation was defeated, we must continue to stand in opposition; the proponents have not given up.

We also hosted a series of legislative briefings with state legislators and organized a trip to Nashville. All of these events provide opportunities for businesspeople to build relationships and discuss issues with elected representatives.

f. Economic Development

This past year, the Economic Development department laid the groundwork for Innovation Valley Inc., which celebrated its public launch a few weeks ago. This new five-year regional economic development campaign will drive the economy of the future by focusing on technology-based business recruitment and growth as well as workforce development.

The work program of Innovation Valley Inc. is comprehensive and aggressive. I hope that you will visit www.innovationvalleyinc.org to learn more about the campaign. This new phase needs your support... Of course it will need your financial support, but it also needs public support.

Innovation Valley Inc. builds on the work of the previous economic development initiative – Jobs Now! And that is a tremendous act to follow. I want to show you the final year results for that campaign. This is the initial release of the results, and they are impressive.

The five-year economic development campaign set high goals – creating 35,000 net new jobs, generating \$2.5 billion in new non-residential capital investment, and improving wages by an overall average of \$5,000 per job.

Here is where we stand...

The campaign has helped spur more than 40,100 net new jobs, nearly \$2.8 billion in capital investment, and an increase in the annual average wage by \$5,672.

It is important to note that these numbers come from official sources and was gathered and analyzed by an independent third party – Younger & Associates. The net new jobs number comes from the U.S. Department of Labor, the investment numbers come directly from the figures announced by businesses, and the increase in wages comes from the U.S. Bureau of Economic Analysis.

Let's also look at something else... what the economic development campaign means to you, your business, and your bottom line.

The new wages generated by the direct and indirect jobs created from companies coming to the region or expanding is nearly \$193 million in 2007-2008. These new employees will be spending much of their salaries here with Knoxville businesses.

New spending is expected to be an additional \$9 million at restaurants, \$30 million on housing, \$6.6 million on apparel, and \$7.6 million on entertainment. You can see the other categories on the chart. Growth in these sectors also drives growth of the tax base.

With this information, the region and the campaign's investors can determine their return on investment. If you know your market share, you simply multiply that by the total increase in spending in your sector seen on the chart.

We have also provided you with the total cumulative growth for the five-year campaign. The bottom line on new spending is \$3.6 billion... Now, that's something to be excited about.

If you'd like a copy of this chart please visit the Chamber's website – www.knoxvillechamber.com.

Ultimately, these numbers demonstrate why an active economic development campaign is so important to you, everyone in the business community, and everyone that has or wants a job. The chart shows just how big an impact those efforts can have.

During 2007-2008, the Chamber's economic development professionals hosted 21 companies interested in locating a business in the region and made 32 visits to corporate representatives and site selection consultants across the country. These visits focus on building relationships with the real estate professionals that help companies find new locations, and they are paying off. We saw more than a 320 percent increase in the number of inquiries from consultants from the first quarter to the fourth quarter of 2007-2008.

The Chamber's existing industry programs have also had great success this year. The Chamber's staff met with more than 300 industrial and manufacturing companies to discuss business assistance programs, construct strategies to address concerns, and help solve technology problems. The Chamber often connects plant managers and scientists and researchers in Oak Ridge or at UT to help address these technology issues.

The Chamber's research unit responded to more than 2,300 requests for information. Existing businesses and companies interested in locating in Knoxville commonly contact the Chamber to evaluate the area and for information used in marketing campaigns.

g. Workforce Development

Workforce and Education has become an important area of focus for the Chamber. Several years ago we recognized that without a skilled workforce the business community could not survive. We understood that the current educational system was not adequately preparing enough students to compete in the global marketplace, and that it needed to change.

This year we became more active in driving that change.

The Chamber has implemented a plan to design a comprehensive data system for Knox County Schools. A first-of-its-kind resource, this system will allow educators to better understand data and use it to recognize trends, costs, and the success of specific programs. The system will make it possible for administrators and principals to identify costs and manage to outcomes. The project is supported by private foundation funding and managed by the Chamber.

In January, we hosted a breakfast with Jim Clinton, executive director of the Southern Growth Policies Board, which challenged the business community to make the commitment necessary to transform our educational system. The talk reiterated the Chamber's message that technology and innovation is the best and perhaps only way to compete in the global marketplace.

We also organized the Workforce Development & Education Summit in March. Attended by more than 600, the event highlighted the barriers to

student success. Subcommittees organized at the Summit continue to work on the implementation of the strategies developed.

The Chamber has also produced several resources for businesspeople, students, and educators. These include including SKILL UP! In Innovation Valley, a Training Inventory, A What to do for Schools guide, and a college career list. SKILL UP is bringing service organizations like the United Way and Workforce Connection together for the first time to prepare under-skilled or underemployed adult workers for in-demand jobs. The Training Inventory contains an up-to-date list of available apprenticeships and internships for college and secondary school students.

The organization also engaged business and community leaders in the important Knox County Schools Superintendent selection process. We have developed a strong relationship with Dr. McIntyre and plan to work closely with him as he forms and implements his vision for Knox County Schools.

Higher educational standards and assessments are a must, and the Chamber has supported those through the Tennessee Diploma Project. The new standards contained in that initiative are slated to be incorporated into all Tennessee schools in the fall of 2009.

We participated in the Annenberg Central Office Review for Results and Equity study to analyze the operations of the central office and how it can work better for schools and students. And we joined the Tennessee Energy, Industry, and Construction Consortium, a statewide group of labor, industry, and educators, whose mission is to build the skilled trades workforce in the energy and construction industries.

VI. Close

This has been a great year for the Knoxville Chamber... your Chamber. We have made great progress and we have prepared ourselves for future economic development and membership opportunities.

There are challenges, both immediate and in the future, but I am confident we will overcome them and that Knoxville and the Knoxville area will continue to be an economic powerhouse.

Thank you all for coming this morning. I invite and encourage you to take full advantage of your Chamber membership. Use its resources and get involved.

Have a great day. We are adjourned.