

CONFIDENTIAL

Economic Competitiveness in the State of Louisiana: A Practitioner's View



July 15, 2009

Selected exhibits for conference at Universidad ICESI

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Introduction to Louisiana

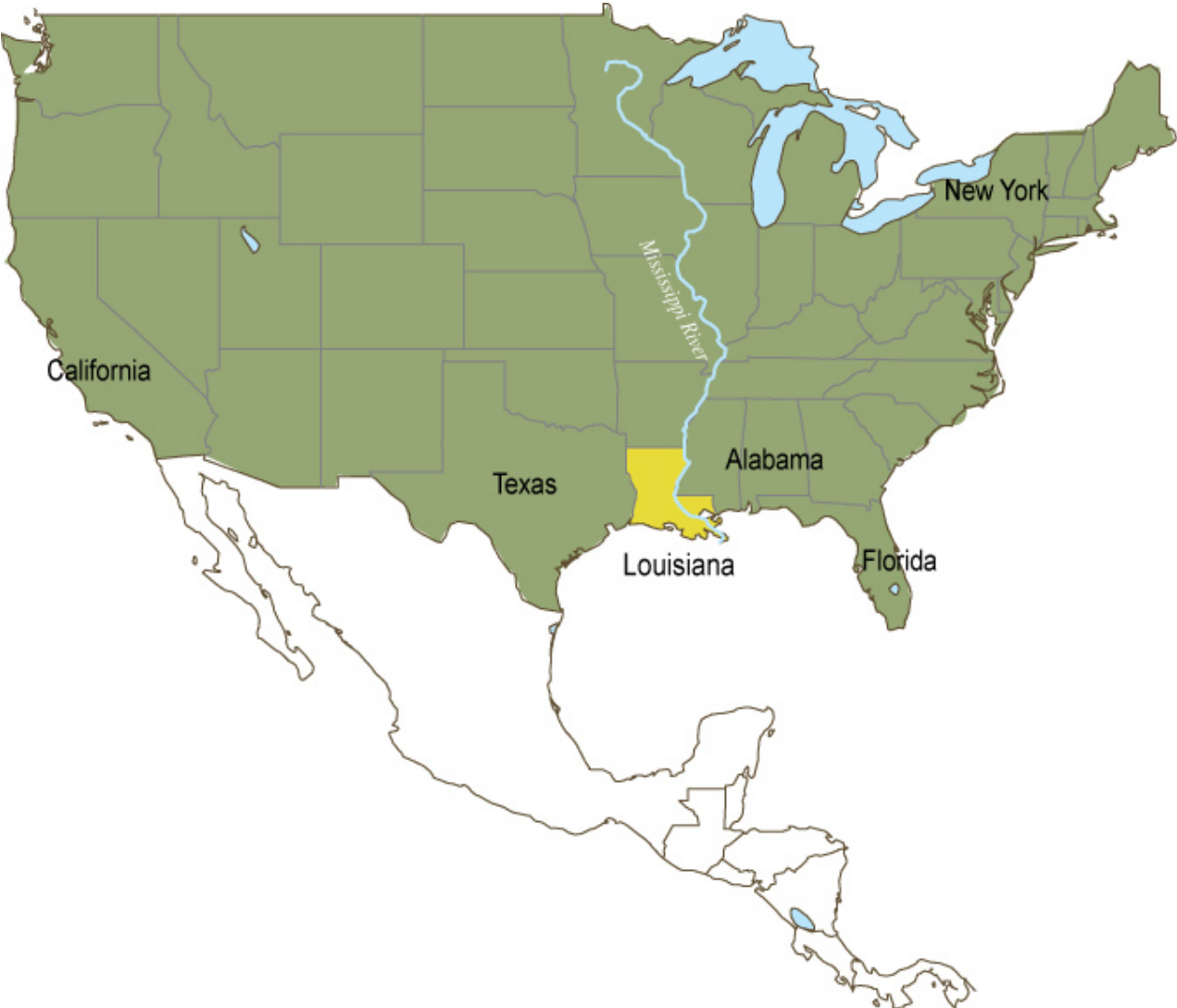
Katrina economic impact and recovery

Louisiana's recent economic performance

Louisiana's long-term economic challenge

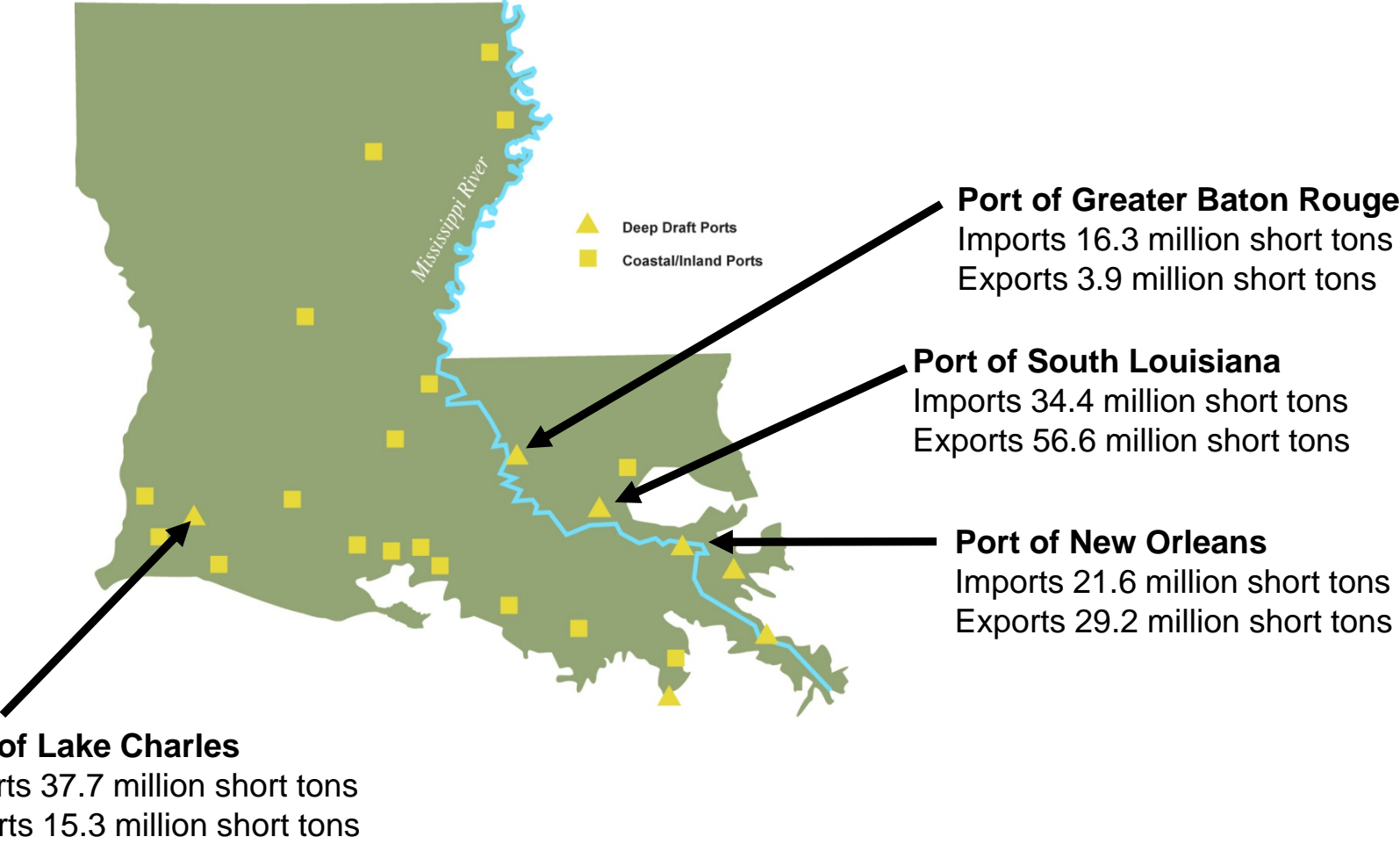
State economic competitiveness strategy

LOUISIANA IS CENTERED ON THE GULF COAST OF THE UNITED STATES AT THE MOUTH OF THE MISSISSIPPI RIVER



WITH THE LARGEST PORT SYSTEM IN THE WORLD, LOUISIANA IS THE GATEWAY TO 35 INTERIOR STATES

2,300 miles of navigable inland waterways connect each of Louisiana's 7 deepwater ports to a network of 18 coastal and inland ports.



LOUISIANA'S EXTENSIVE GROUND TRANSPORTATION NETWORK IS A STRONG ADVANTAGE FOR THE DISTRIBUTION OF GOODS

In addition to several Interstate highways, 6 North American Class One railroads connect in Louisiana



LOUISIANA'S STRATEGIC LOCATION AND TRANSPORTATION ASSETS SUPPORT THE STATE'S TRADITIONAL INDUSTRIES

- Oil and gas
- Petrochemicals
- Forestry / wood products
- Ship and boat building
- Seafood processing
- Agriculture

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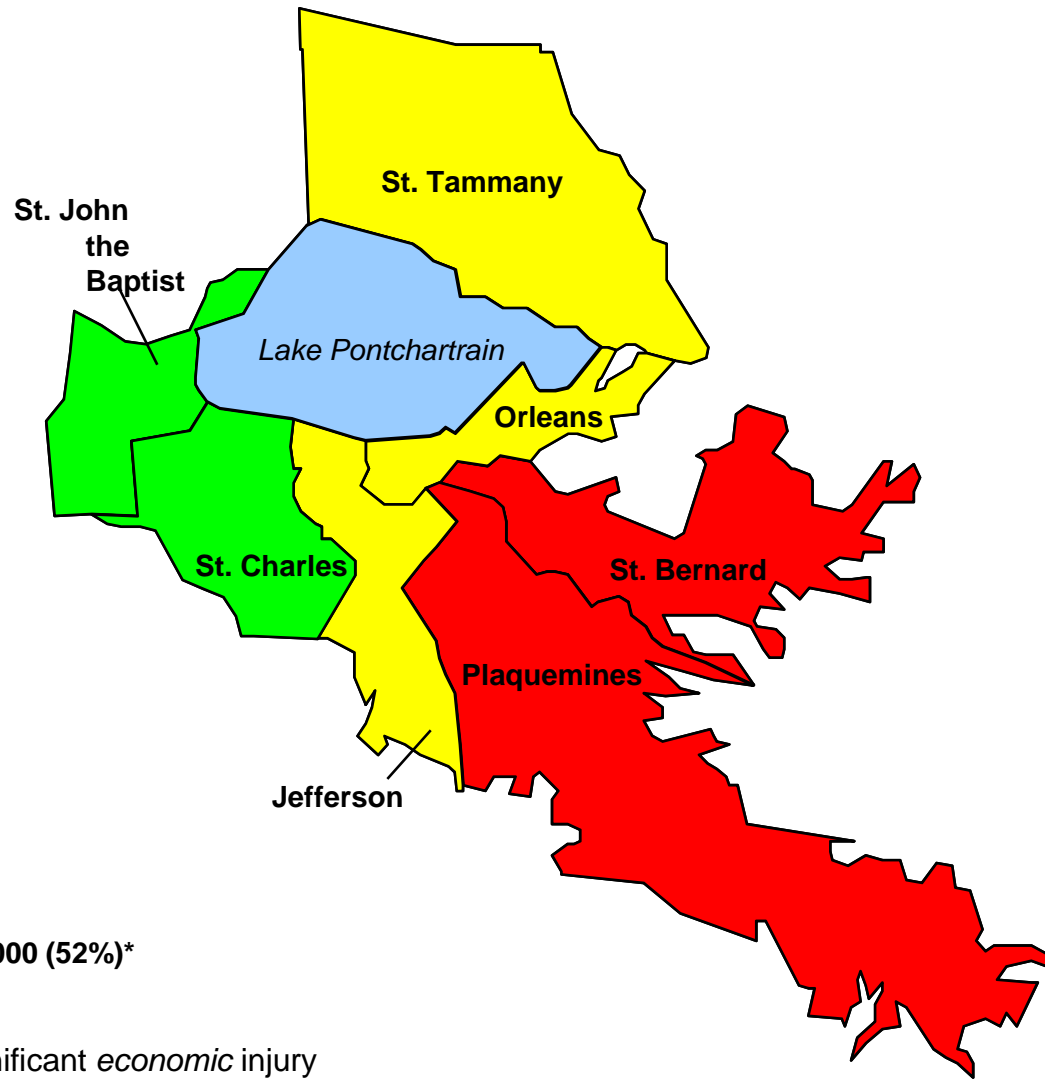
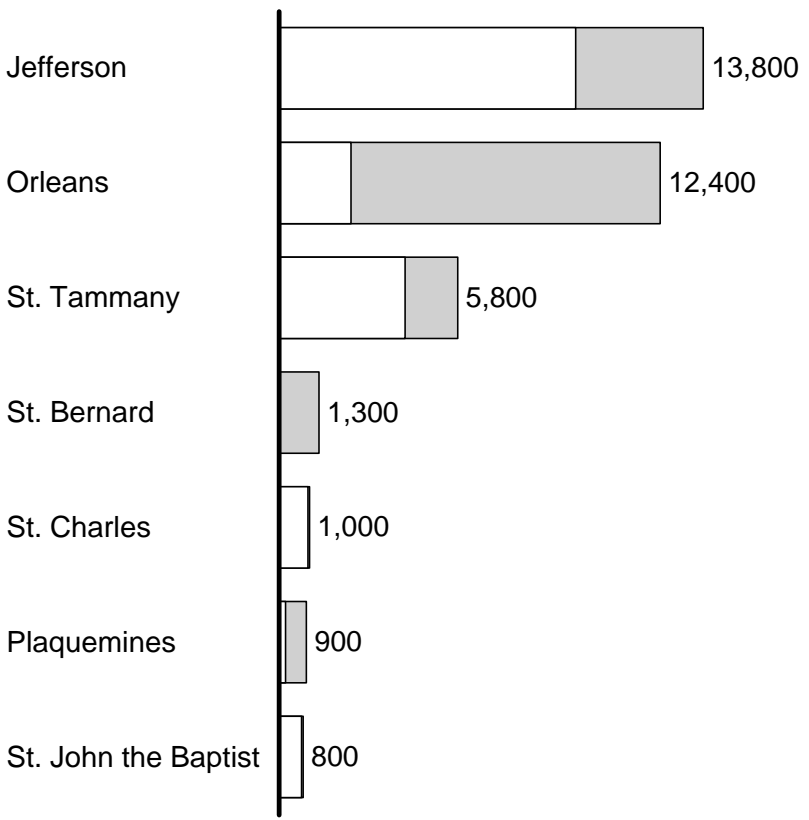
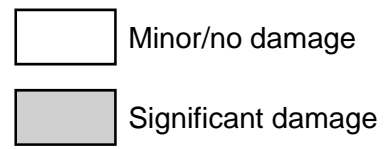
Louisiana's long-term economic challenge

State economic competitiveness strategy

MOST BUSINESSES IN THE NEW ORLEANS REGION DID NOT SUSTAIN MAJOR PHYSICAL DAMAGE

Number of non-farm establishments with employees

PRELIMINARY ESTIMATES

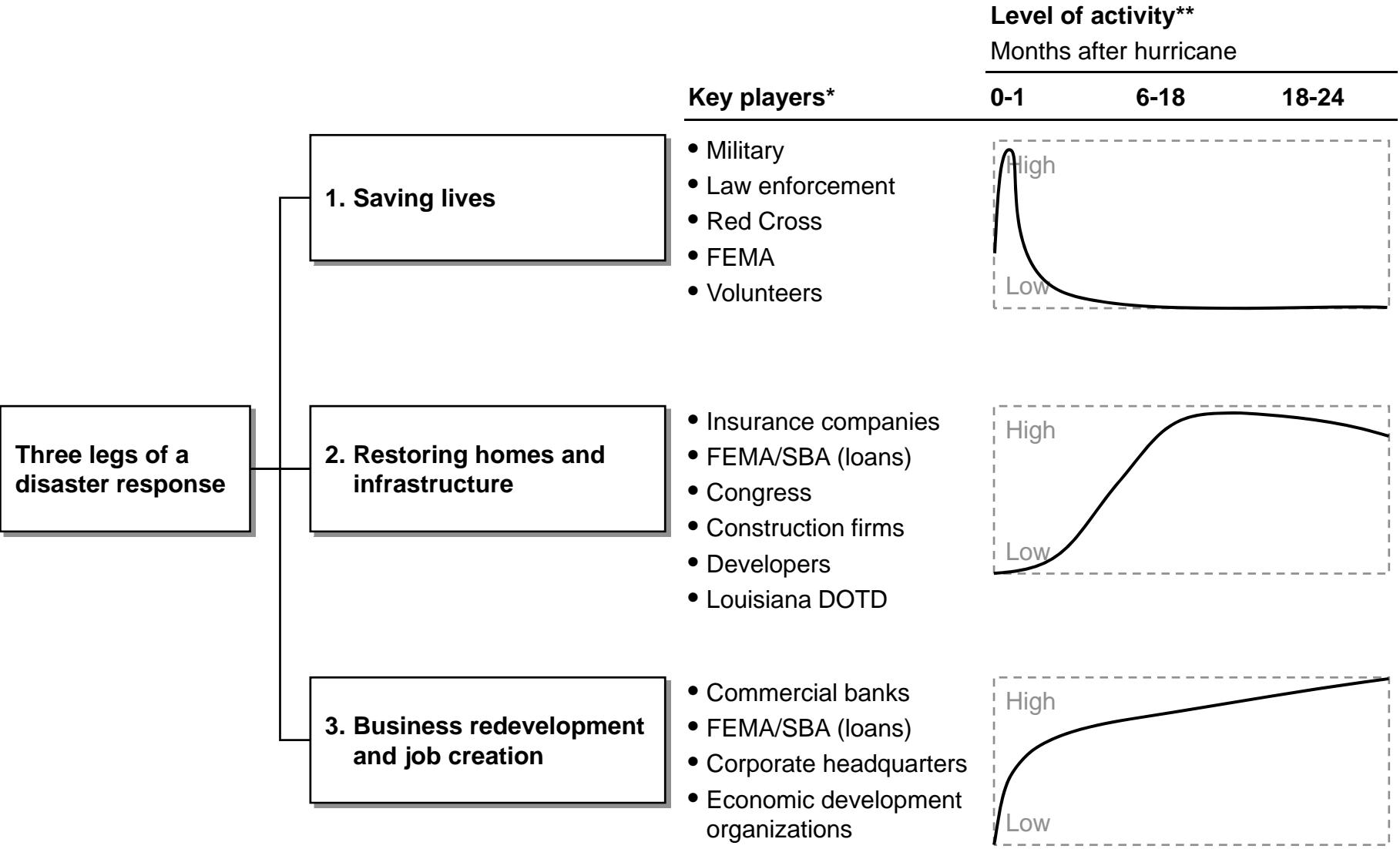


Total businesses with minor/no physical damage = ~18,000 (52%)*

* A large portion of these have withstood very significant *economic* injury

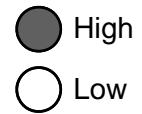
Source: Louisiana Department of Labor; interviews with Congressional offices and elected officials; BRAC analysis

CHALLENGE IN FORECASTING THE FUTURE IS THAT THERE ARE THREE LEGS TO A SUCCESSFUL DISASTER RECOVERY . . .



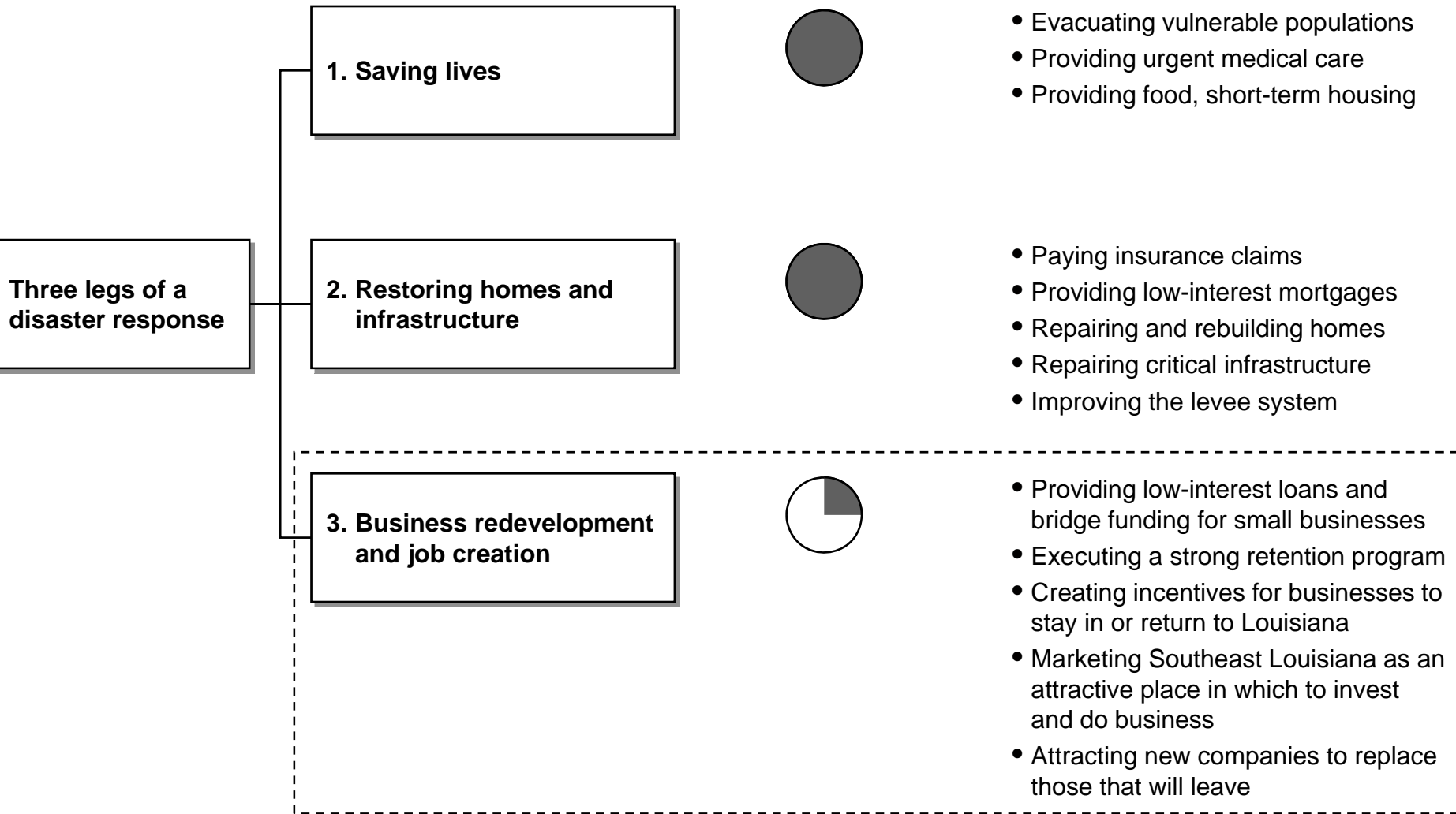
* Not comprehensive
 ** Conceptual rough estimate

... BUT THE THIRD LEG (BUSINESS RECOVERY) IS RECEIVING INSUFFICIENT ATTENTION FROM STATE/FEDERAL GOVERNMENT



Expected level of focus and investment from federal/state government

Critical activities*



* Not comprehensive

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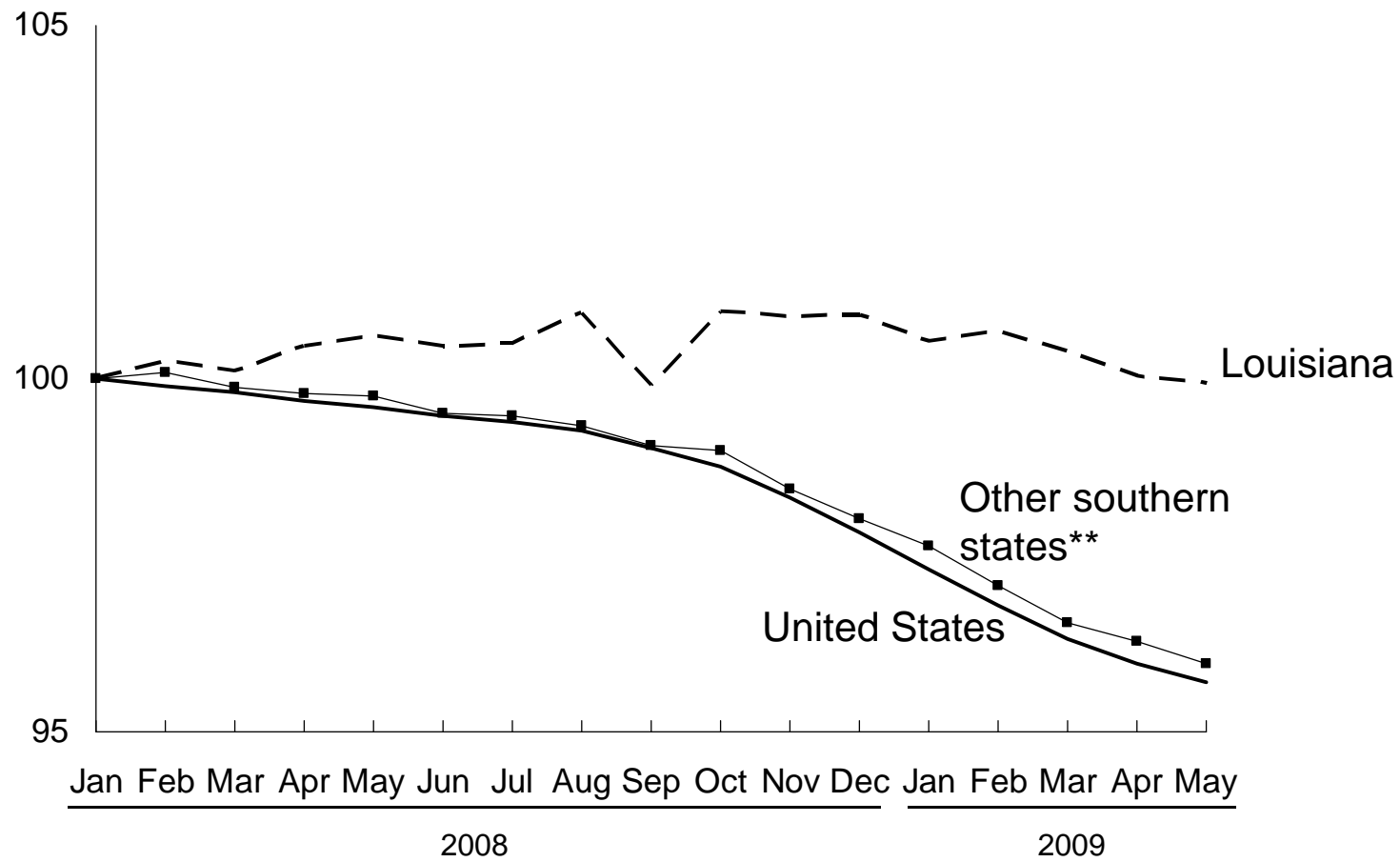
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LOUISIANA'S EMPLOYMENT* LEVELS HAVE OUTPACED THE REST OF THE COUNTRY

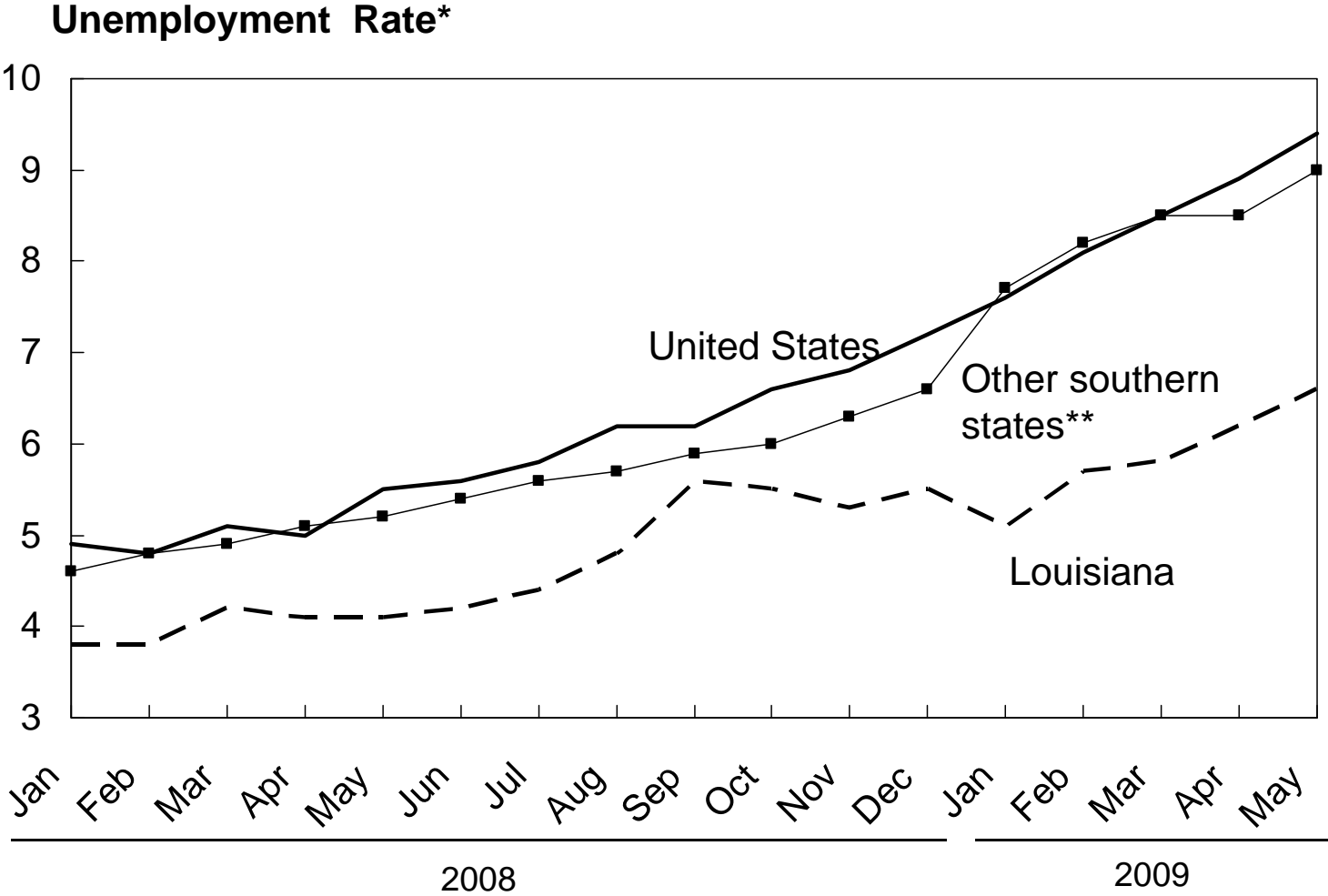
Total nonfarm, seasonally-adjusted employment* (100=January 2008)



* May 2009 figures are preliminary

** Based on aggregate of SREB states (Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)

LOUISIANA'S UNEMPLOYMENT RATE HAS REMAINED BELOW THAT OF THE U.S. AND SOUTH SINCE THE START OF THE NATIONAL RECESSION



* Seasonally adjusted; May 2009 figures are preliminary

** Based on weighted average of SREB states (Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)

EVEN AS THE U.S. ECONOMY SLOWS, LOUISIANA CONTINUES TO SECURE NEW BUSINESS INVESTMENTS IN 2008

SELECTED EXAMPLES



GULF ISLAND FABRICATION, INC.



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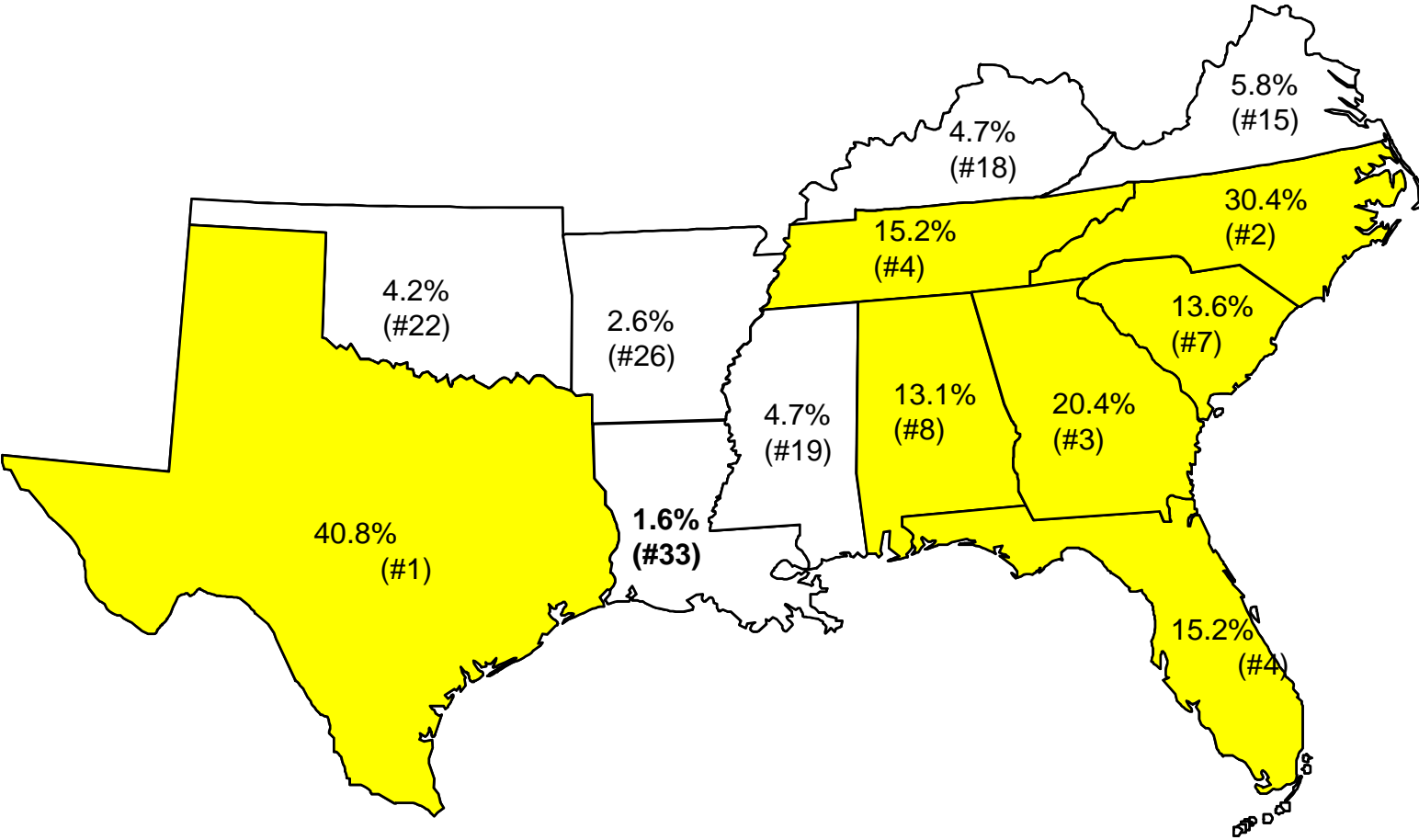
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MORE ROOM FOR IMPROVEMENT: LOUISIANA IS SITUATED AMIDST SEVERAL TOP 10 STATES FOR BUSINESS CLIMATE

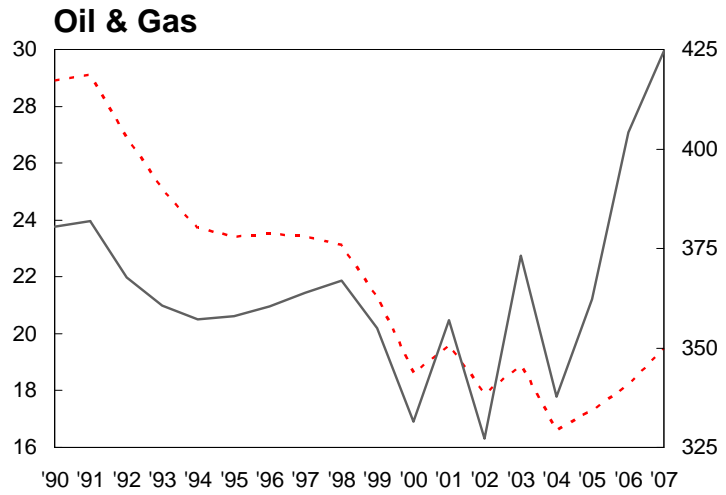
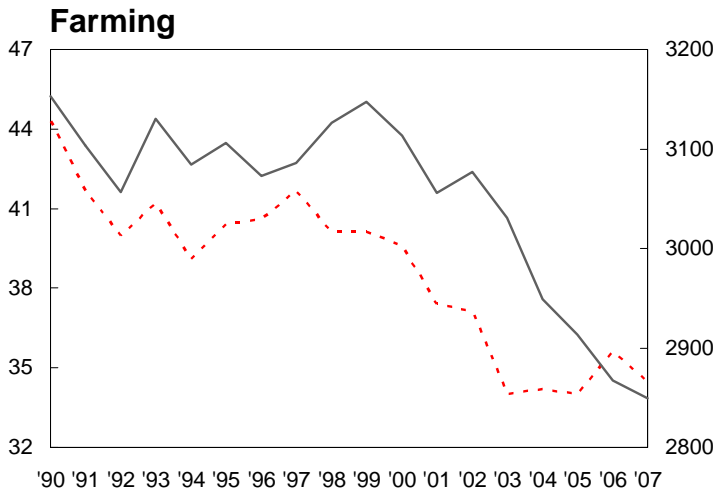
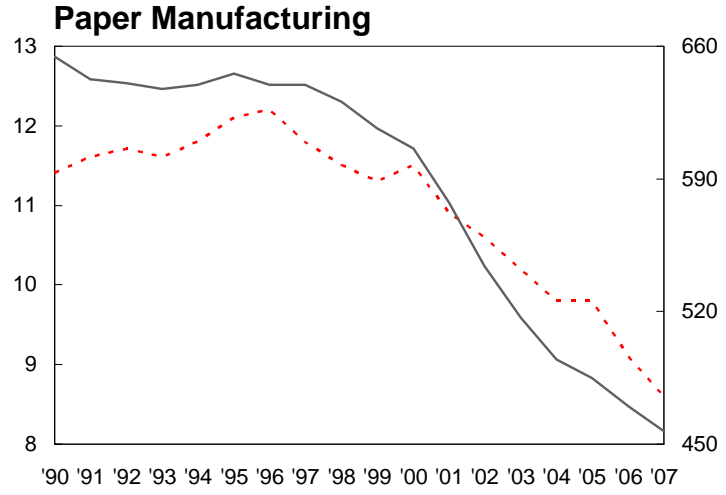
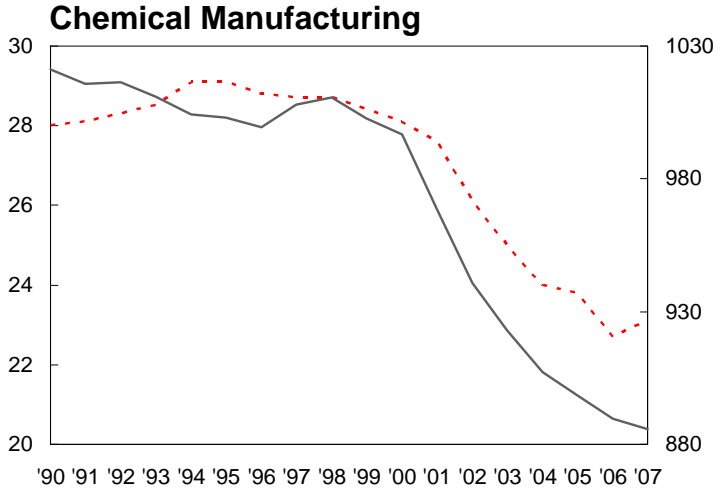
“Most favorable” rating by business executives (% of respondents)



* Based on a 2008 DCI survey of corporate executives with site selection responsibilities to the following: “Select the three states whose business climate you perceive as most favorable”

IN LINE WITH THEIR NATIONAL COUNTERPARTS, LOUISIANA'S PRIMARY INDUSTRY SECTORS HAVE BEEN LOSING JOBS FOR MANY YEARS . . .

— U.S. employment
 Louisiana employment



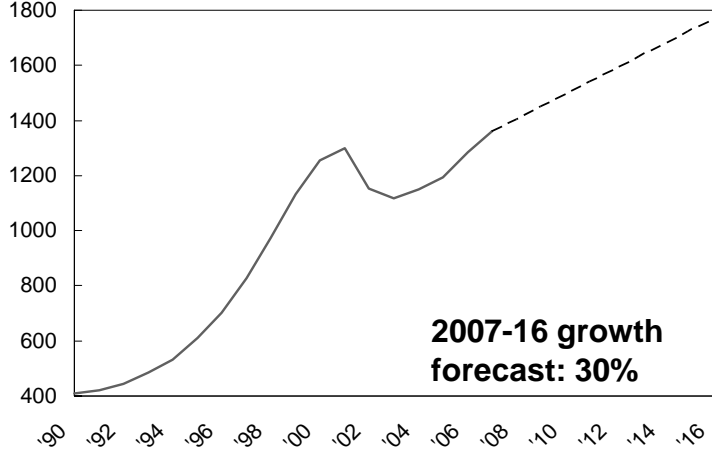
Source: BEA; LED analysis

... IN CONTRAST TO GROWING INDUSTRY SECTORS THAT HAVE BEEN CULTIVATED BY OTHER STATES

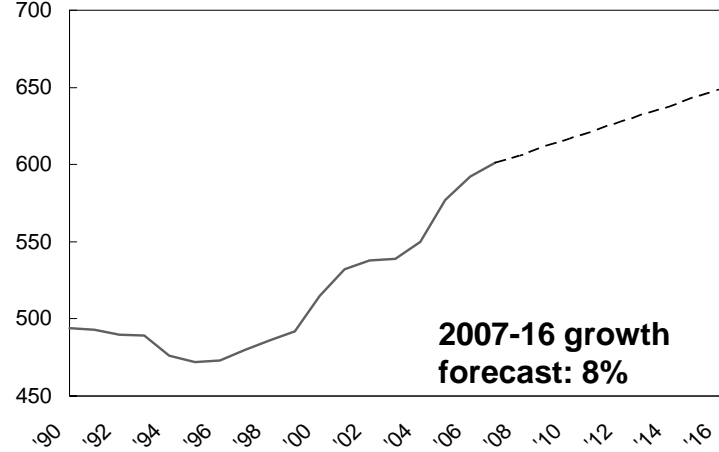
EXAMPLES

— U.S. employment (historical)
..... U.S. employment (forecast)

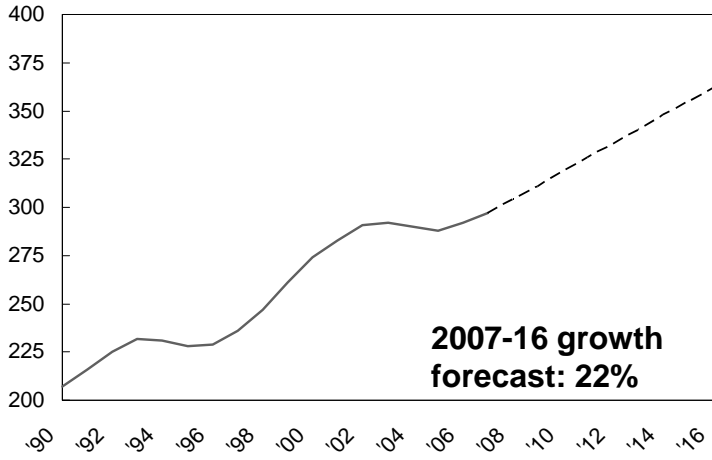
Computer Systems Design and Services



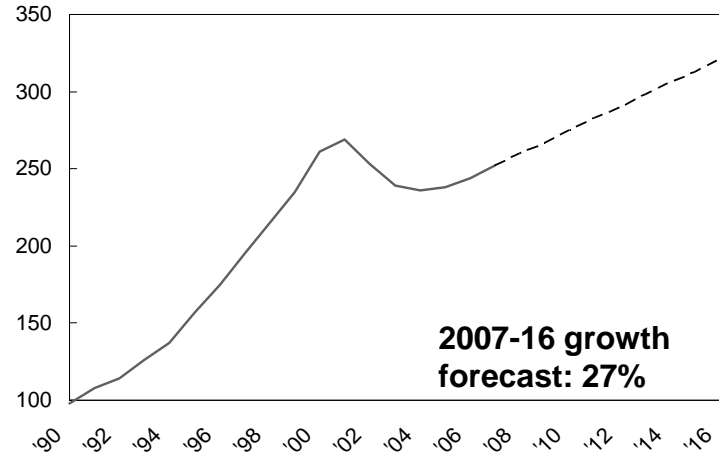
Scientific Research & Design Services



Pharmaceuticals and Medicine Manufacturing



Software Publishers



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VISION AND MISSION STATEMENTS

Vision:

“Reposition Louisiana as the next great American state for business investment, quality of life, and economic opportunity”

Mission:

“Lead economic development for the State of Louisiana”

ECONOMIC DEVELOPMENT FRAMEWORK

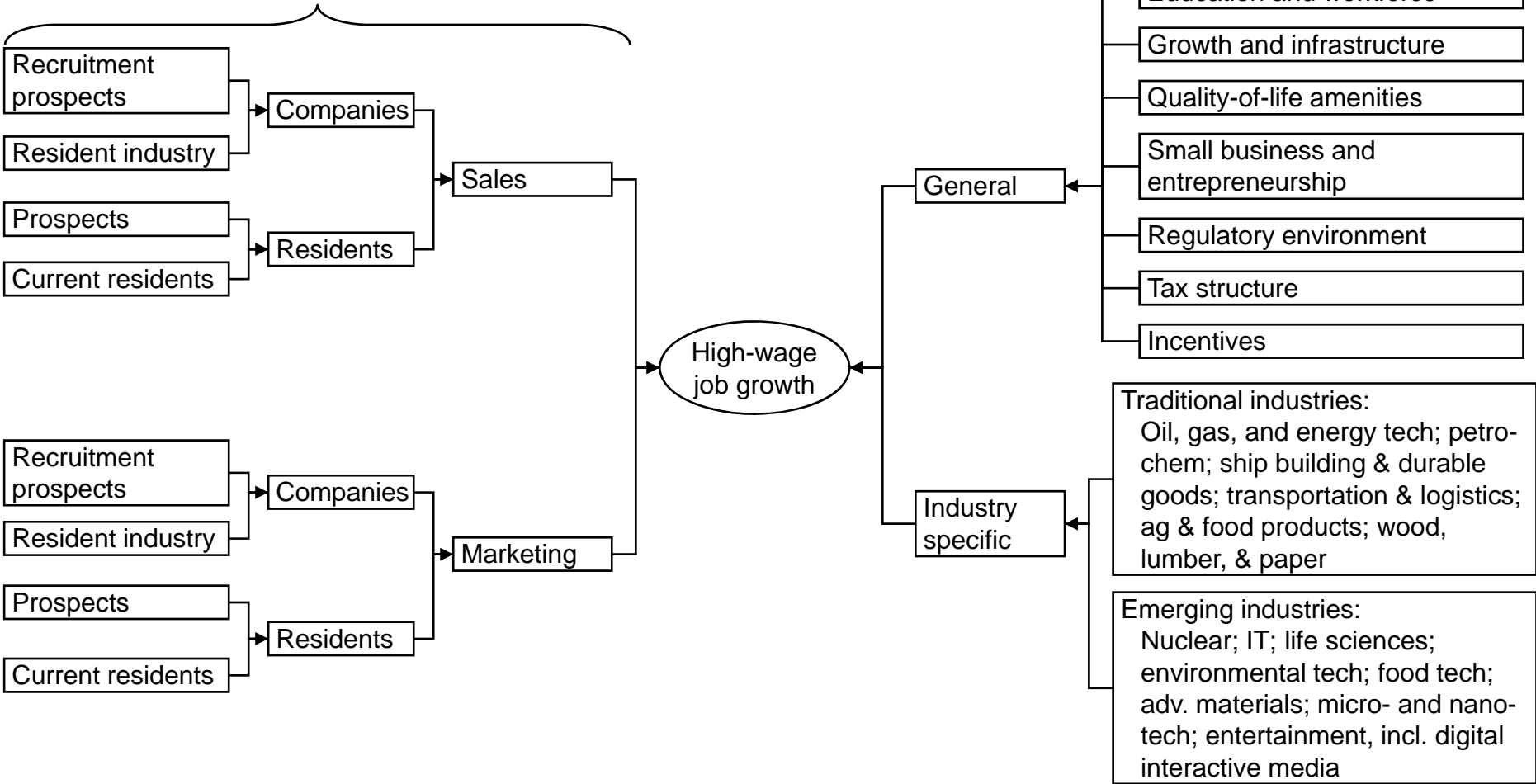
- Economic development is a combination of activities intended to create jobs, increase wages, and/or achieve industry diversification
 - LED will primarily focus on growing the overall state economy and overall number of jobs
 - LED will typically avoid actively recommending incentives or investments in projects that grow a region, community, or business at the expense of others
- Creating a more vibrant Louisiana economy will require aggressive, focused leadership from LED in two broad areas of activity:
 - “business development” aims to influence the investment and location decisions of corporate leaders (e.g., marketing, sales)
 - “product development” aims to increase the attractiveness of Louisiana for business investment and economic opportunity (e.g., public policy efforts)
- Much of economic development is done at a regional level (e.g., site selection process, marketing leverage, business environment, economic relationships)
- LED will strive to make its incentive and capital investment recommendations based on public return-on-investment

HOW IS ECONOMIC DEVELOPMENT CREATED?

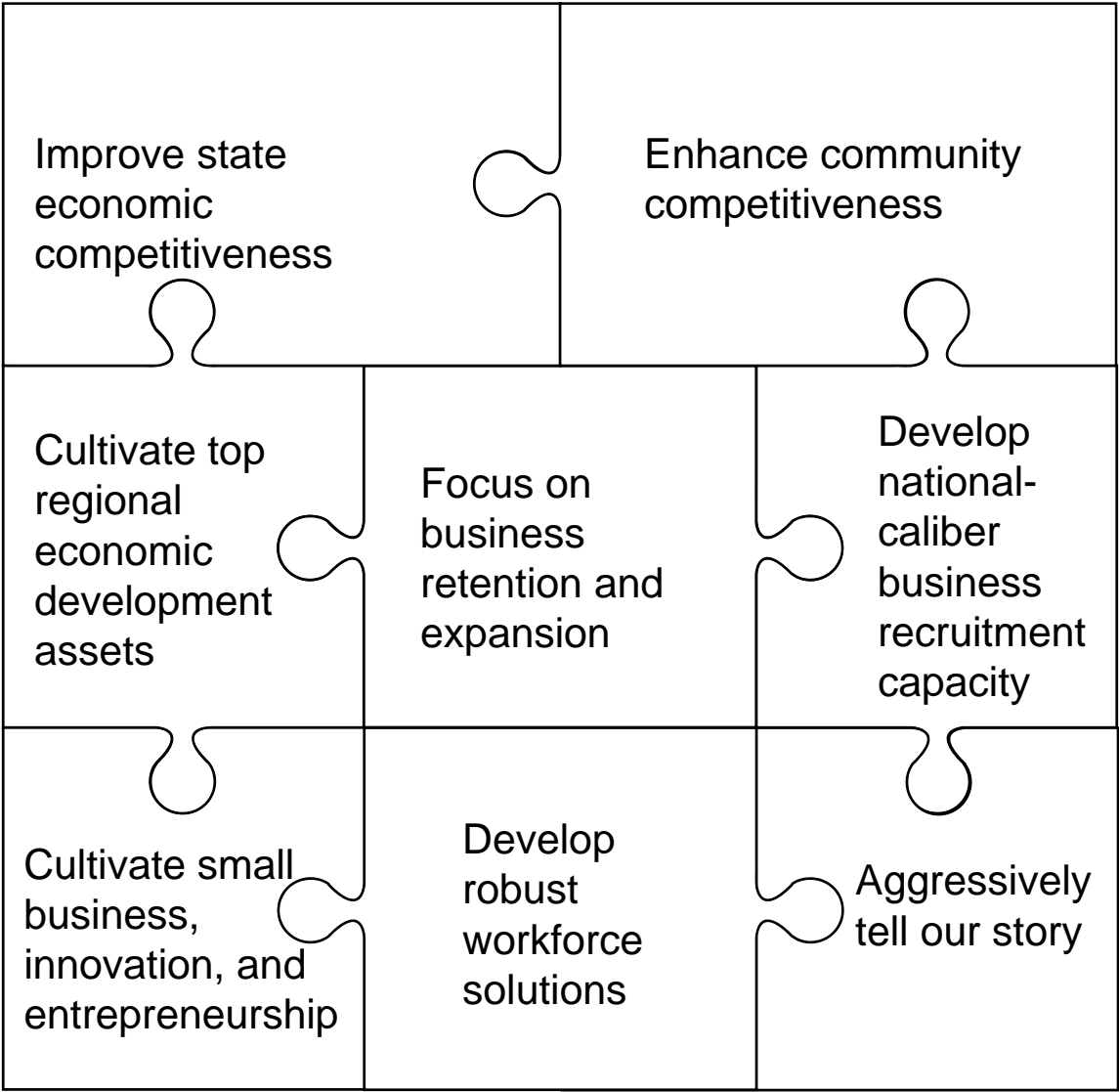
NOT COMPREHENSIVE

Product development activities

Business development activities



LED FOCUSES ON EIGHT STRATEGIES TO POSITION LOUISIANA FOR A BRIGHTER ECONOMIC FUTURE



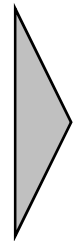
LOUISIANA IS REPOSITIONING ITSELF TO BECOME THE NEXT GREAT AMERICAN STATE FOR BUSINESS INVESTMENT

- Election of Governor Bobby Jindal
- Governmental ethics reform
- Elimination of unconventional business taxes
- Comprehensive workforce development reform
- Statewide transportation financing solution
- Public education innovation
- Increased funding for higher education
- Targeted economic investments

LOUISIANA IS MOVING TO THE TOP IN GOVERNMENTAL ETHICS LAWS AND ENFORCEMENT

Key Reform Elements in 2008

- Personal financial disclosure for the vast majority of elected and appointed state and local government officials
- Enhanced transparency of lobbyist activities
- Required recusal of elected officials who have a conflict of interest
- Required on-line reporting of the appropriations and spending for each budget unit of state government
- Expanded whistleblower protection for state employees



As a result of these reforms, Louisiana has moved from the bottom 10 states to the top five states in the nation for governmental ethics laws and enforcement.

Source:



LOUISIANA'S TAX CLIMATE HAS BECOME MORE COMPETITIVE BY ELIMINATING UNCONVENTIONAL BUSINESS TAXES

Key Changes in 2008

- Elimination of the sales tax on manufacturing machinery and equipment
- Elimination of the franchise tax on corporate debt
- Elimination of the sales tax on business utilities

An independent research group suggests eliminating these taxes will reduce Louisiana's corporate tax burden to well below the Southern U.S. average, with especially strong benefits for manufacturing

LOUISIANA HAS ADOPTED A COMPREHENSIVE, INNOVATIVE PLAN TO DRAMATICALLY IMPROVE WORKFORCE QUALITY AND AVAILABILITY

- The Louisiana Workforce Commission will integrate and coordinate the entire workforce development system
- Funding for community and technical colleges will be aligned with real business needs
- The new Louisiana Fast Start program will provide customized, turnkey workforce solutions to business development projects
- The public education system will significantly increase focus on career and technical education programs
- Aggressive state and regional marketing efforts will publicize job opportunities and increase workforce participation

LOUISIANA HAS IMPLEMENTED A STATEWIDE TRANSPORTATION FINANCING SOLUTION

Investments made in 2008

- \$253 million to improve existing roads, bridges and ports statewide
- \$220 million to fund new roads and expansions of interstates and major highways across the state
- Dedication of transportation-related taxes and fees to transportation projects (several hundred million per year)

FOR THE FIRST TIME IN ITS HISTORY, LOUISIANA HAS BECOME A HOTBED FOR EDUCATION INNOVATION

- Major national nonprofits and foundations are engaged in New Orleans to help create a more competitive post-hurricane school system, and a national-caliber superintendent is in place (Paul Vallas)
- New Orleans now has a diverse market of school providers, including nontraditional government-run schools, innovative charter schools, private schools, and parochial schools
- High levels of autonomy have been provided to new school leaders in New Orleans
- Many schools have lengthened the school day and year to provide additional enrichment for outstanding students, as well as remediation
- A major school choice initiative is being implemented for disadvantaged children

LOUISIANA IS ALSO CULTIVATING ITS EXISTING REGIONAL ECONOMIC DEVELOPMENT ASSETS

- Invested \$50 million in the Pennington Biomedical Research Center to drive world-class research in nutrition and preventive medicine
- Allocated \$57 million to the Cyber Innovation Center to make the site more attractive to the U.S. Air Force's Cyber Command operations
- Targeted \$24.6 million in the Port of New Orleans to expand container terminal capacity by 45 percent and to secure the long-term commitment of one of the world's largest container carriers
- Invested millions in Chennault International Airport to expand capacity and secure jobs in aircraft repair, maintenance, and modification
- Budgeted millions to pursue improvements at Franklin Farm Megasite (ranked among top 10 sites in U.S. for major manufacturing operation)

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These efforts will be complemented by an aggressive, comprehensive strategy for cultivating emerging, target industry sectors of the future

Q&A