

Something to Think About



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COMMON CENTS

This is sort of part one in an intermittent series.

Recently, I received an email with a link to a study about the need for a consolidated form of government in the Birmingham metro area (MSA). For those of you not familiar with Birmingham, most of the suburbs have incorporated themselves. All of them have their own fire and police departments, and the larger, wealthier ones have their own school systems. Some of these cities/suburbs, have been around for a long time, with mine having incorporated itself back in 1942. As a result, while we all live in “Birmingham,” most of us actually live in other cities or towns, most of them with their own separate identities.

To that end, the population of the City of Birmingham (the City) only makes up less than one-fifth of the population of the entire MSA, and even less of the larger still consolidated statistical area (CSA). As for Birmingham’s media market, the City constitutes only about one-seventh, from the numbers I have read.

Obviously, and admittedly, this means there is a fair amount of duplication of effort and inefficiency in the delivery of public services across the MSA, let alone a lack of coordination in business development efforts. As for the latter, it isn’t uncommon for suburban cities to ‘duke it out’ for retail and local business relocations. After all, it doesn’t benefit, say, Trussville when a new Walmart, or something, opens in Pelham or Gardendale. In fact, you could sensibly argue it potentially hurts it economically.

When I was a child, it wasn’t a tremendous leap to compare the MSA to Atlanta’s. Yes, Atlanta was larger, but there wasn’t anywhere near the disparity which exists today. It was perhaps an unfair comparison, but still a comparison nonetheless. Prior to that, in 1950, the Birmingham MSA was the 27th largest in the country, statistically much larger than either Nashville or Charlotte. By 2010, while the MSA had grown, it was ‘now’ 47th largest in the US. By comparison, Nashville had leapt from 55th to 37th with 419% growth. If that seems remarkable, and it is, Charlotte went from 91st to 24th, as its metro area’s population exploded by 1,025%.

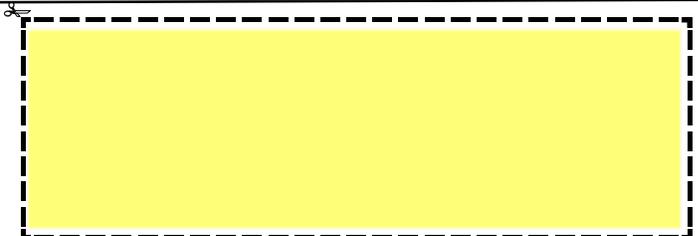
We gave up the comparison to Atlanta decades ago. However, it kind of galls us Nashville and Charlotte have passed us so completely and quickly. While the former is still something of a comparison, in all fairness, Charlotte is not. But how did this happen? Why has their growth been so much better than ours? Why are their economies so much more vibrant? Serving as siren songs to recent graduates while we scratch our heads here in central Alabama?

Other the next 12 months, we will have a lot of discussion about the need to consolidate our local governments in some form or fashion. After all, both Charlotte and Nashville have done some measure of this, and look at their phenomenal growth! There has to be something to that/this right? That has to be the secret sauce. After all, efficiencies are good, as are coordinated efforts. This will lead to better governance and economic development opportunities, won’t it?

Perhaps. However, after reading various studies and delving into any number of economic reports over the years (and not just due to the recent one I received), I have to say, and this is essentially true in all aspects of live (both civic and personal): someone else’s success is not proof of your

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failure. Comparisons against others are only meaningful if that is your definition of success.

While we have lagged behind Nashville, Charlotte, and, yes, Atlanta, I have some not so startling news for you: just about everyone else has as well. Birmingham? Well, we were a major industrial city, pumping out a lot of iron and steel. So much so, I distinctly remember days when I was a child when we couldn't go outside for recess due to the poor air quality. Iron and steel were the foundations of our local economy, that and the necessary mining to support them/it. Certainly, other industries built up around the MSA. But, make no mistake about it: the Birmingham MSA was the major industrial hub in the Southeast, particularly for base manufactures.

So, how does Birmingham compare to other historically industrial MSAs? Well, our population growth rate since 1950 (through 2010), has comfortably surpassed (sometimes more than doubling) that of the following: Detroit, Buffalo, Pittsburgh, Milwaukee, and St. Louis. It has been roughly the same as that of my old stomping grounds in Baltimore. Admittedly, some of these MSAs have had a greater absolute increase in population due to their higher starting base. However, while we are comparing ourselves to outsized successes like Charlotte, the good people in Buffalo and Pittsburgh could just as easily wonder: just how in the heck has Birmingham managed to grow, more than double since 1950, after the collapse of its core manufacturing economy? Seriously.

To that end, we used to call ourselves "The Pittsburgh of the South," due to both cities' economies reliance on iron and steel. We all know what has happened to that industry over the last several decades, as our domestic consumption has withered, technological changes have slashed headcounts, and foreign competition has taken a bite, don't we? Even so, Birmingham has added some 600K people, again, more than doubling since 1950. The "Pittsburgh of the North"? It has grown by about 150-175K, or around 6-7%.

This has a point.

Those cities which have seen dramatic growth seem to have something in common, or a combination of things. These are: 1) a geographically pleasing location in terms of warmer weather (Miami or San Diego); 2) a dominant, stable economic base (any number of state capitals) OR a dominant, unique one (Las Vegas or Orlando), or; 3) a vibrantly diversified local economy with a healthy amount of knowledge based industries (Seattle, Atlanta, et al.). When you combine all three, good things seems to happen like, oh I don't know, Austin, Texas, or Raleigh-Durham. Okay, Raleigh and Durham are no longer officially combined for MSA purposes, both being separate. However, the Raleigh-Durham has been one of the fastest growing in the country for years.

Now, some things cities can't really help. Buffalo can't help it is cold and isn't the state capital. The same could be said of Milwaukee, Pittsburgh, Cleveland, and Detroit. Hmm. Do I see a thread with some of these old industrial towns? Further, what do you immediately think of when you think of these cities? Beer? Steel? Burning rivers? Cars? Basically, vestiges of the industrial past, right? The same could be said of Birmingham, at least from an economic standpoint.

As such, that leaves #3 on my list as the only way to grow our MSA significantly moving forward: a vibrantly diversified local economy with a healthy amount of knowledge based industries. While I told myself I wouldn't do it this week, consider what I submitted to the Montgomery Advertiser for next week's column:

Years ago, I had an internationally recognized economist tell me it didn't matter if the United States physically manufactured a single thing. After all, the value added proposition of many finished products, if not most, is in the design, engineering, and technology. In her way of thinking, the production process is a means to an end, and people don't really pay for it. They pay for the creativity behind the product or service.

If this seems a little strange, ask yourself: do you know who made, say, your iPhone? I mean the actual names of the people making the component parts on assembly lines around the world, specifically for your unit. Of course not. However, who created it? That is a much easier question to answer, isn't it?

If you don't think it is, how about this: when you pay for a light bulb, are you paying for the glass and the packaging, or are you paying for the technology which provides the light?

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I thought about this during a recent discussion I had with the CEO of a technology firm here in the Birmingham area. He was bemoaning the difficulty in attracting qualified programmers and the like from out of state. It had nothing to do with his firm or the wages; those were fine. It also had nothing to do with our area's history or perceived reputation. Those were, and are, pretty much irrelevant.

Nope, his biggest obstacle is the lack of depth in the metro area's IT community, and the state as a whole for that matter. It seems programmers, coders, and other tech engineers like to work in areas with abundant job opportunities in case something happens to their current situation. This makes perfect sense, as technology start-ups sell themselves all the time, and employee turnover can be pretty high as individual skills sharpen.

Then he said something that floored me, although it shouldn't have: "Alabama's business development efforts always seem to focus on production and natural resources. I completely understand that. Everyone has to play to their strengths. However, I can grow my business a heckuva lot faster than the demand for cars and pulp wood, if you know what I mean."

I did.

After all, the value his company offers isn't in the actual physical nature of its products. They look the same as everything else on the shelf. The value is in what the company designed and engineered its products to do. The hard part is in creating the technology. The much easier part is putting it on a disc, server, or what have you.

While this is intuitive to me, I suppose it isn't to many. The production facility employing 100-200 people is more physically imposing than the small office buildings with 25 or so programmers and developers. You can count the trucks leaving the factory with finished goods for sale. However, that tech firm might do just fine using UPS or the Postal Service. Basically, you can touch, feel, and even smell the output at an assembly plant, but not so much at the tech firm.

Don't get me wrong; I don't fully agree with that economist from years ago. In a service and knowledge based economy, manufacturing still matters. It will provide jobs for people both directly and indirectly, produce wealth, and, let's face it, not everyone can be some kind of technological genius.

It is just that creativity matters more. Are we doing all we can to foster it?

Please note his comment I have in quotes above: we seem to focus on production and natural resources. However, the growth is in technology, at least in his industry (clearly). What is your MSA doing to attract that type of company? What is it doing to retain it? What type of businesses are the local economic development people trying to attract? Retail? Assembly? Or STEM? Hmm.

With this in mind, I would like to relay something a good friend told me about this time last year. Since I believe he occasionally reads this newsletter, I am going to apologize in advance for perhaps butchering it a little.

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My friend is head of sales for the North American subsidiary of a foreign based company which makes, shall we say, widgets. It's NA HQ and production facility was located in a town within Birmingham's CSA, but just outside its official MSA (trust me, it makes sense when you understand how the Census Bureau operates). A few years ago, more than a few and less than 10, the company wanted to expand and informed the necessary powers that be. The economic development office in both Georgia and Alabama sent in proposals. Obviously, Georgia was trying to steal the company, and Alabama was trying to keep it.

My buddy told me: "Norris, it was the damndest thing. Georgia sent in a proposal to relocate the factory and the corporate staff, separate proposals within the proposal. Alabama sent in one to keep just the production facility. Didn't really even mention keeping all the higher paying corporate jobs. [blanket blank] Norris. Alabama, proposed to keep the hourly work AND Georgia wanted the salaries."

Suffice it to say, my friend has been commuting to the Atlanta area every Sunday evening and coming home on Thursday afternoon since. I suppose Alabama sold what it knew, and it knew production.

So, let me leave you with this one.

Everyone knows the State of Alabama is passionate about college football, and arguably for good reason. Its two Power 5 Conference teams, Alabama and Auburn, have combined for more wins than any two teams in any other state, regardless of size through the end of 2016 (1,622). Michigan is a close second with 1,618 (Michigan and State). Texas and Texas A&M round out the Top 3 with a combined 1,613.

In Alabama, just about everyone of every age is familiar with the legendary Crimson Tide coach Paul "Bear" Bryant. His success in Tuscaloosa was indeed legendary, as he coached 13 SEC champions and 6 national champions. When he retired after the 1982, he held the record for most wins by a I-A (now FBS) coach, and promptly died a month later. No doubt, his quick demise only helped his legacy and legend grow, as he had not worn out his welcome.

I tell you this because for quite literally decades after the man's death, it seemed the University of Alabama was preoccupied with maintaining the legacy of Bear Bryant by insistence on hiring only those head coaches with some direct coaching or playing lineage/connection to him. While Ray Perkins, Bill Curry, and Gene Stallings were all reasonably successful, with Stallings winning a national championship, they paled into comparison to the Bear. As a result, the Bear's seeming greatness only increased.

Mike DuBose played for the Bear, was also a graduate assistant under the man, and a really good coordinator. However, he was an awful head coach. Then came the first outsider, Dennis Franchione, who disgraced the program after two years by absconding in the night to Texas A&M. Mike Price came next, but never coached a game because of off the field, um, issues. Then came young Mike Shula, who, at least everyone said, had played for the Tide. Still, he wasn't very good either....at least not by Alabama's historical standards.

If you lived here during the years between DuBose and Shula, even if you didn't pull for Alabama, you undoubtedly heard any number of conversations about how the Tide needed to "keep it in the family" or "Bear Bryant would have done it this or that way."

It is really hard to describe/explain this if you don't live here.

Now, the 10-year span of DuBose, Franchione, and Shula produced 4 actual losing seasons on the field, and an overall winning percentage of around 55%. Hey, that would be heady stuff at my alma mater, but it was dreadful by Alabama standards, just dreadful. In that time, Tennessee, LSU, and Auburn had passed the Tide in both wins and short-term prestige. I mean folks in crimson were beside themselves, and on more than one occasion I heard someone say: "Bear Bryant is over in Elmwood spinning in his grave over what's going on."

Do you know what Alabama did? If you follow college football you do. It stopped outthinking itself. It stopped playing games and looking inward for answers or solutions. It opened up its checkbook, and hired this guy from northern West Virginia who had played ball at Kent State....yeah, Kent State. His only real association with Alabama seemed to be beating it on the field while he was the head coach at LSU (4 out of 5 times)....no family, no friends, no allegiance of

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any sort, no nothing. It just so happens Nick Saban might be an even better football coach than Bear Bryant...his winning percentage on the field is actually a little better than the latter's was in Tuscaloosa.

I tell you this for a reason. For years, the legacy or legend of Bear Bryant hung over the Alabama football program until it kind of became a millstone. Tide fans were backwards looking, regaling past achievements and glories. I would suggest, even argue, the general consensus for the definition of success would have been something along the lines: "we have to get back to what Bear would have done. We have to be mindful of our tradition."

Then, the powers that be in Tuscaloosa had had enough. The legacy of Bear Bryant wasn't necessarily Bear Bryant. It was winning, period. How do you win? By running Bear Bryant's wishbone when opposing, contemporary linebackers can run sub 5.0 40-yard dashes AND bench 400 AND squat lord knows what? Of course not. By looking backwards or by moving forward with the best? We all know the answer to that, and the Tide finally woke up and realized the same thing.

Now, if a college football team in Alabama can figure this out, why can't former industrial cities and states? Is the future of economic growth in the United States in production and natural resources? Or is it in knowledge based industries and technology? Is it in disruptive industries or in the old tried and true?

Do you want a 55% winning percentage or 80%? What is your definition of success? How do you hope to achieve it? By turning brown fields into greenways? That is certainly better than leaving them brown fields. You by going out and getting the right people with the right mindset IF you can't produce them yourself.

This means opening up checkbooks. It means things like free municipal broadband. It means your economic advisory boards look young and creative, as opposed to upper middle-aged and rich. It means stealing companies from places like Nashville and Charlotte...small ones. It means talking to your tech companies and asking THEM what the MSA needs to make itself more attractive to other IT folks...then come up with the money somehow and do it. It means quit listening to the folks holding your city back, the tried and true, and listening to those who have ideas you don't understand. Frankly, it means upsetting the apple cart because it is in everyone's best interest to do so.

So, in the end, a consolidated city-county government? That gives me a headache to contemplate. However, if we can't all get on the same page somehow to determine a coordinated definition of success, Nashville will soon quit being an apt comparison.

I will flesh out my ideas in future issues.

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