



Attention Wal-Mart Shoppers... *Democrats control both houses of Congress*

In the run-up to the November elections much was made of perceived media bias that treated President Barack Obama with kid gloves while savaging Senator John McCain. We won't get into that here, but one public opinion survey in particular sheds an interesting light on media coverage.

A Zogby poll conducted shortly after the election may say more about how we've dumbed down the media and media consumers, than anything about media bias. The national poll was administered November 13-15, 2008 to 512 voters who cast ballots for Obama, and covered a number of the more sensational points about the candidates.

A few of the more interesting and bizarre findings are summarized in the accompanying chart. It appears the electorate may not be well informed about some of the more arcane political views of the candidates, but seem to have a clear grasp of "Jerry Springer" issues.

Question: Which candidate currently has a pregnant teenage daughter?

Nearly 94% of all respondents got this one correct. An analysis of the cross-tabulation of results shows that only 83% of respondents without a high school degree got it right, but this is a far higher "correct" percentage than this group got on any other question.

NASCAR fans, weekly Wal-Mart shoppers and respondents with no investments also had high levels of correct answers.

Question: Which candidate said they could see Russia from their house?

This "gotcha" question got a lot of people. In fact, nearly 87% of respondents incorrectly attributed this comment to Governor Sarah Palin.

It was actually said by Tina Fey imitating Palin in a *Saturday Night Live* skit. Nonetheless, a lot of people think Palin said it. Interestingly, only 50% of those without a high school degree tagged Palin with this statement, while more than 70% of NASCAR fans and frequent Wal-Mart shoppers were wrong, and over 80% of those with no investments.

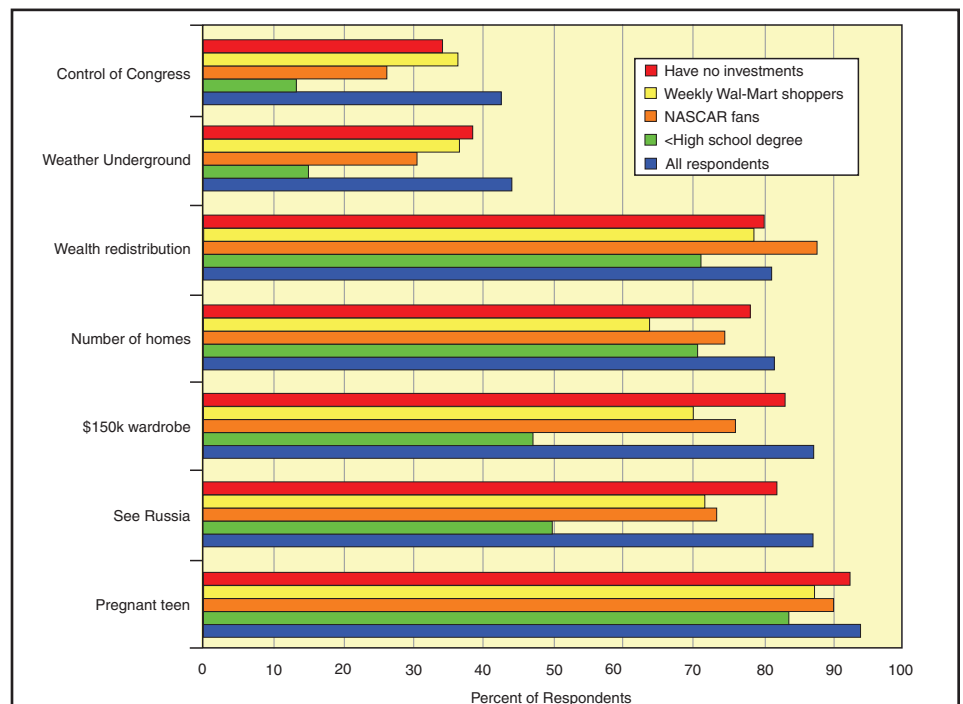
Question: Which candidate wore clothes their political party reportedly spent \$150,000 on?

Score another hit for NASCAR fans, Wal-Mart shoppers and non-investors. At least 70% of each group got this one right, while non-high school grads only got it correct 48% of the time.

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Gas Pains

The kind in your wallet, not your stomach

Last year proved to be a volatile one for gas prices—with July 2008 being the bleakest month on record. Average national prices were as high as \$4.11 per gallon and many areas of the country were being plagued with long gas lines and supply shortages. As a result of surging prices and the economic slowdown, consumers began to change their consumption patterns. Within five months, the U.S. average price of gasoline had decreased by over 50% to \$1.65 a gallon—numbers not seen since early 2004.

But that short term relief may soon change. The Obama administration feels a massive infrastructure construction program is key to stimulating the economy, which will require major funding. Part of this investment will be funded by gasoline taxes...theoretically.

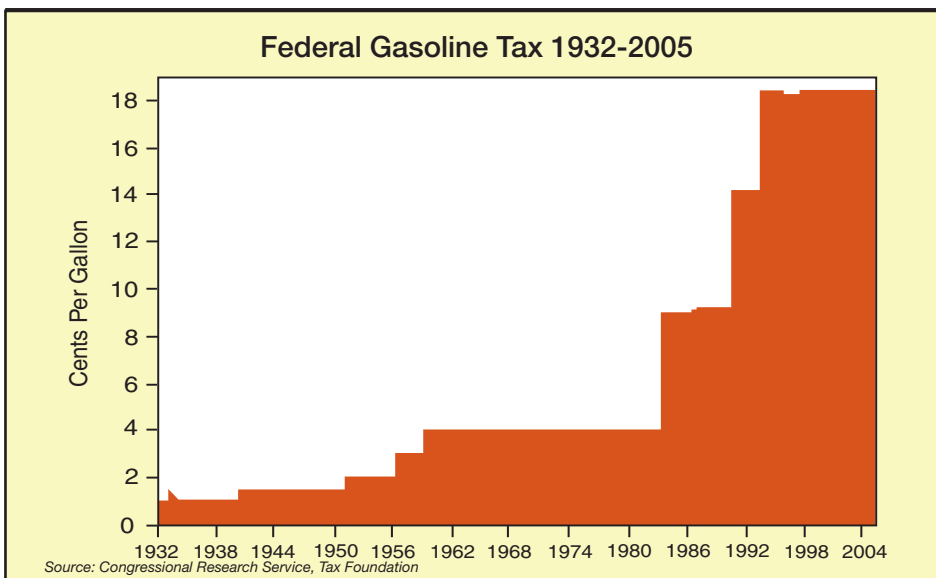
Motorists are decreasing miles driven and buying less gas in order to economize. They are also buying more fuel-efficient cars. For the first time since 1991, fuel consumption is projected to drop. As a result, the main source of funding for highway projects

(the fuel tax-funded Highway Trust Fund) may soon be showing a deficit of more than \$3.2 billion.

The current federal tax is 18.4 cents per gallon for gasoline and 24.4 cents on diesel. (See graph below.) State fuel taxes vary, but the national average state tax on gas in November 2008 was 21.59 cents per gallon and 22.14 cents per gallon on diesel.

A federal commission is urging a roughly 50% increase in gasoline and fuel taxes to cover the tax collection shortfall stemming from reduced consumption.

Increasing the tax is only one recommendation. The National Commission on Surface Transportation Infrastructure Financing is promoting a mileage-based tax. Of course, there's the small problem of equipping every car and truck with a device that uses global positioning satellites and transponders to record how many miles the vehicle has been driven so the tax can be calculated. Privacy advocates will be apoplectic. ■



Attention Wal-Mart Shoppers...

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Question: Which candidate could not say how many houses they own?

Over 80% of all respondents got this one correct, and the only sub-group which bonked was the weekly Wal-Mart shoppers at 63%.

Question: Which candidate said the government should redistribute wealth?

Wealth redistribution must be a hot button with most respondents, as most got this one right. Of course, this is an issue in which most people think they have a stake, either as a giver or receiver.

Question: Which candidate started their political career at the home of two former members of the Weather Underground?

Only 44% of all respondents got this one right. Remember, the poll was conducted among Obama voters, so this could reflect a bit of selective memory or just ignorance of the facts. Less than 15% of non-high school grads got this one.

Question: Before this past election, which political party controlled both houses of Congress?

Only 43% got this one...ouch. NASCAR fans and non-high school grads were even worse, at 26% and 13%, respectively. The Democrats' strategy to pillory George Bush and the Republicans for the country's economic woes certainly gained leverage from this lack of knowledge.

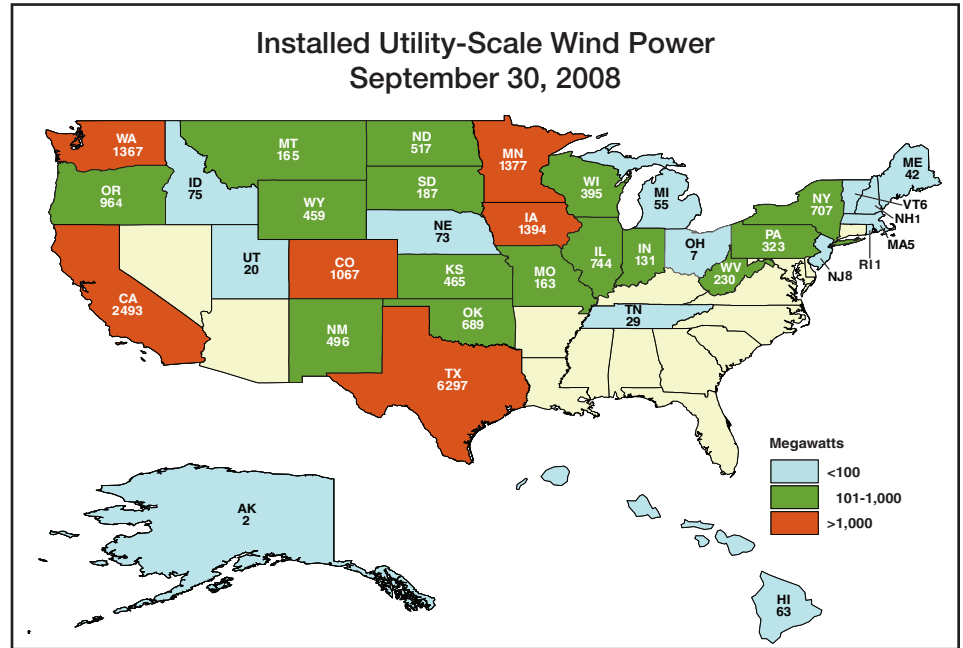
There is no guarantee the same questions put to McCain voters wouldn't produce similar results, and this survey is not examined here to mock Obama supporters. Rather, it seems to point to a high level of awareness of issues unrelated to the job of president or vice president (pregnant teens, clothes budgets, SNL skits), and poor knowledge of some fundamental issues related to governance and the economy (control of Congress). ■

The Answer, My Friend, is Blowin' in the Wind

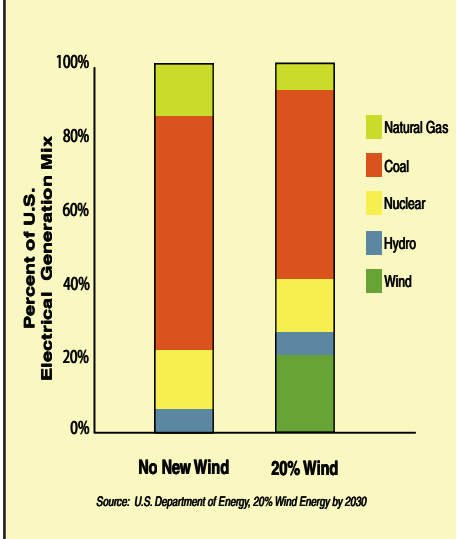
The question: Is wind power a hot commodity or just hot air?

Back in the 1960s, Bob Dylan's song melodiously and metaphorically suggested that the wind would reveal the solutions for the nation's social ills. Almost five decades later, wind power is poised to be one "answer" to the U.S. need for both clean, renewable, affordable energy sources and job growth in a country too often held hostage by fossil fuel price fluctuations.

In May 2008, the U.S. Department of Energy (DOE) published its *20% Wind Energy by 2030* report which examines one scenario—supplying 20% of the country's electrical demand via wind energy by 2030—and contrasts it to a scenario in which no new U.S. wind power capacity is installed. (See graph below.)



20% Wind Vision: Impact on U.S. Electrical Generation Mix in 2030



The findings: achieving the 20% goal substantially cuts CO₂ emissions, reduces electricity costs, creates long-term price stability, promotes energy independence, and would support 500,000 green jobs.

Wind Power Growth

According to the American Wind Energy Association (AWEA), wind power accounted for nearly 35% of all new electricity generating capacity added in the U.S. in 2007, up from less than 1% in 2002. In 2008, the U.S. became the largest generator of wind power in the world, powering more than 5.7 million homes. By the end of September 2008, a total of 21,017 megawatts (MW) of wind power was installed in 35 states. (See map above.)

In addition, more than 50 wind industry manufacturing plants have been opened or announced since 2007, creating thousands of American jobs in a manufacturing sector plagued with layoffs.

Wind Power Obstacles

The economic driver behind the growth of the wind industry has been the federal incentives provided to wind companies and investors by the renewable energy production tax credit

(PTC), a credit of 2.1 cents per kilowatt hour. Two major problems exist with the PTC program. First, it offers little benefit to investors in a down market where demand for a tax credit is limited. Second, the PTC has only been extended for one- or two-year terms since 1999, discouraging companies from making long-range, large investments in wind power manufacturing and development.

During his presidential campaign, Barack Obama promised to implement a minimum five-year PTC extension during his administration to facilitate wind power production.

Perhaps the biggest hurdle facing the wind power industry is the lack of available transmission—the infrastructure needed to deliver electricity from the rural, windy areas where it is generated to the heavily populated areas where it is used. The DOE's 20% report recommends an increase in annual

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Are We Looking At the Same Thing? *Measuring “competitiveness” is a tricky business*

Two people can look at the same thing and see totally different images. Take the drawing below...do you see flowers and a butterfly, or a young woman? You can see both of them once you know what you are looking for.



This “I-see-a-woman...no... I-see-a-flower” phenomenon also extends to the business world. Even a casual observer of economic development activities is exposed to countless rankings of business climate, best places to live, and many more, all of which attempt to identify the same thing, that is, the best place to invest... either your money or your employer’s. Herein we present two such analyses that ostensibly measure the same thing, but with significantly different results.

ALEC-Laffer State Economic Competitiveness Index- This is a forecast of economic development prospects based on current measures

of 16 state-level metrics such as top marginal personal and corporate income tax rates, property and sales tax burdens, workers compensation insurance costs, and others.

BHI State Competitiveness Rankings Index- This is an aggregation of key microeconomic variables that predicts a state’s ability to ensure and sustain a high level of per capita income and growth. It includes measures of state fiscal policies, human resources, business incubation, environmental policy, and more.

In a few instances, these two rankings produce similar results. For example, both cite Wyoming, Utah, Colorado and Idaho among the best states, and are in agreement that Pennsylvania, Hawaii, New Jersey and Ohio are among the worst.

State	Best State Rank	
	ALEC	BHI
Wyoming	4	9
Utah	1	2
Colorado	7	4
Idaho	9	5

State	Worst State Rank	
	ALEC	BHI
Pennsylvania	37	39
Hawaii	45	45
New Jersey	43	42
Ohio	47	44

But there are also major differences. Alabama and Georgia are among the best states in the ALEC study, but near the bottom of the BHI analysis. ALEC ranks Vermont the worst state in the country, while BHI ranks it 13. Washington, Minnesota and Oregon are ranked 6, 7 and 8 by BHI, but 31, 35 and 36 by ALEC.

Drawing on Walker’s years of experience in site selection of industrial facilities, it’s our belief that both assessments miss the mark. Neither takes a hard look at the three issues that drive most site selection decisions: labor cost, labor availability and labor unions.

Corporations don’t (or shouldn’t) pick states for new facilities, they pick locations, and reliance on state-level measures is akin to studying astronomy without a telescope. Just because a state may not rank well on a measure doesn’t mean there aren’t excellent options within the state. And the three labor issues mentioned above are only meaningful if measured at the local, not state level.

That said, of the two studies the ALEC analysis is the best representation of reality. The Sun Belt has captured the lion’s share of new investment over the years, and many of these states rank high in the ALEC study. California and many northeastern states have operating climates most companies wish to avoid, and they are low-ranking options in the ALEC study. ■

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The Answer, My Friend, is Blowin' in the Wind

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federal funding from \$8 to \$11 billion to construct a high-voltage green transmission system.

Building a transmission system to harness wind power may become a secondary priority, however. According to T. Boone Pickens (Texas tycoon who plans to invest billions in

wind farm construction), the nation's aging, fragmented and inefficient electrical grid needs a complete overhaul. The Brattle Group, a think tank that does extensive research in the energy sector, released its projection in November 2008: The U.S. utility system needs to invest a staggering \$1.5 to \$2.0 trillion between 2010 and

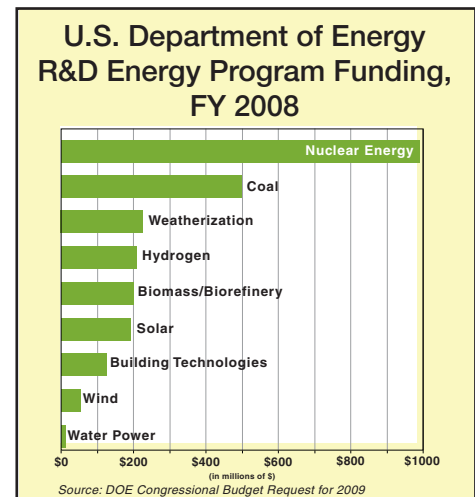
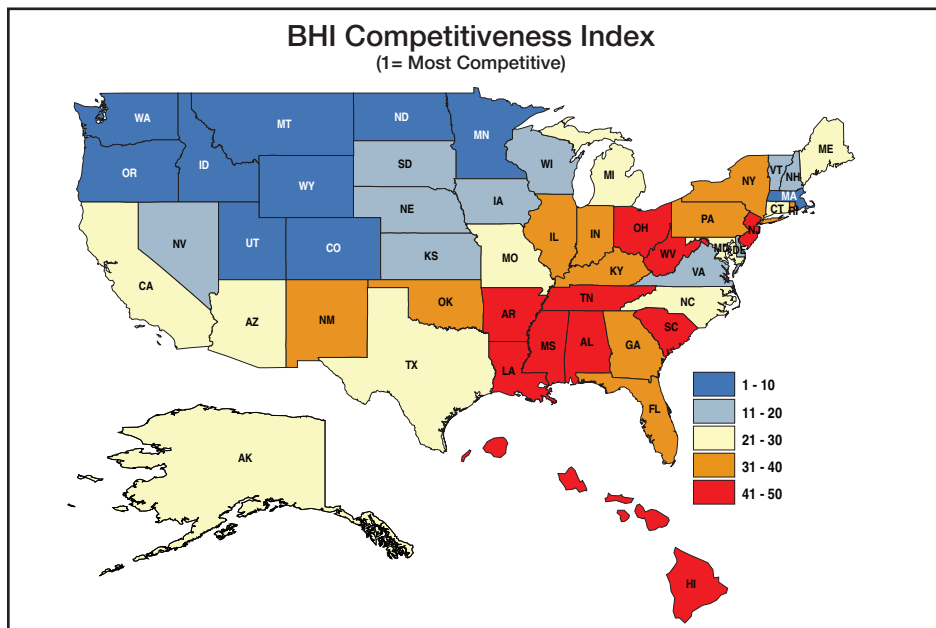
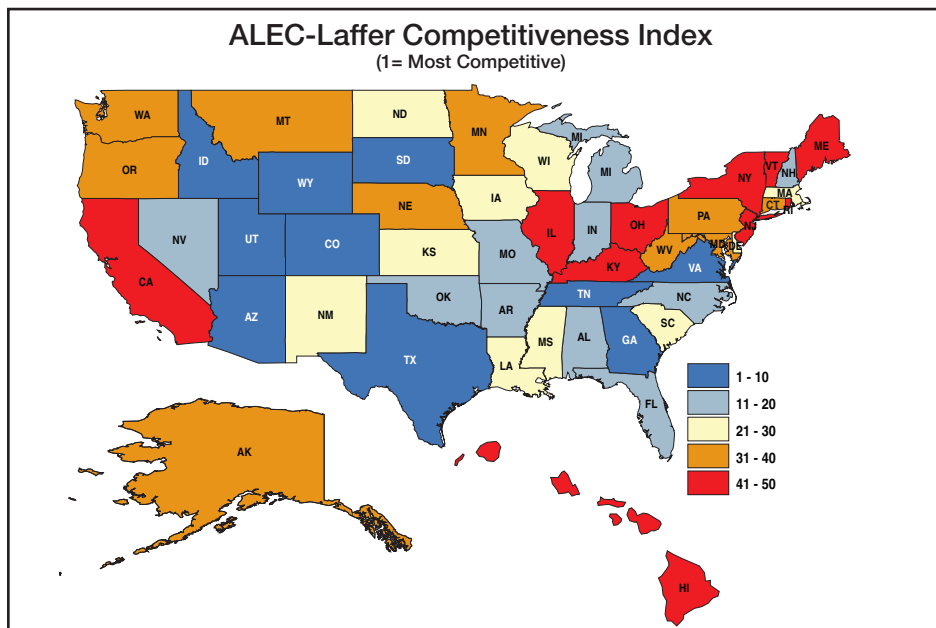
2030 to maintain just the current levels of reliable energy service and introduce "smart grid" technologies to integrate all sources of electricity.

Federal Funding and Future

Overall, 2008 federal funding for wind energy research and development (R&D) was dwarfed by allocations to other energy programs. (See graph below.)

The DOE recommends that Congress should increase the annual federal funding for wind energy R&D from its 2008 \$50 million level to \$217 million, to be phased in over the next three to five years.

Are We Looking At the Same Thing? continued from page 4



Obama made energy independence a top priority in his campaign platform. The Obama-Biden New Energy for America Plan states it "will ensure that 10% of our electricity comes from renewable sources by 2012, and 25% by 2025." Obama also emphatically vowed: "I will set a clear goal as president: In ten years, we will finally end our dependence on oil from the Middle East."

The next four years will determine if the energy policies of the Obama administration are committed to harnessing the power found "blowin' in the wind," or if they are just blowin' smoke. ■

Cruising for a Bruising

Global shipping industry barely treading water in 2009

In addition to the numerous global industries whose profits are lost at sea in this worst recession since the 1930s, container freight volumes—and rates—are circling the drain as well.

In January 2009, the Baltic Dry Index (BDI), a composite survey which measures dry bulk shipping rates on 40 routes worldwide, was down over 90% since its record May 2008 highs of 11,000. (See graph below.) The net asset values of ships themselves have also sunk 70%.

A number of crises capsized the shipping sector. At the helm is the global credit freeze by importing countries (especially the U.S.), drastically lowering global demand for Chinese products.

The World Bank estimates that global trade is set to fall by 2.1% in 2009 (its first decline since 1982), and much of the slump will be felt in the transpacific trade lanes.

What does this mean in dollars and cents? Rates for Capesize ships (the largest shipping vessels) that were priced at \$230,000 a day in May 2008

took a nosedive to \$20,000 in January 2009. The smaller Panamax-class shipping rates also sunk from \$90,000 to \$12,800 per day.

Maritime figures in April 2008 showed about 9,000 ships under construction worldwide—more than any time in history. Today, between 100 and 200 bulk carriers and 500 smaller ships are anchored awaiting better charter rates. Container shipping giant Maersk announced in December 2008 the lay up of eight of its 6,500 TEU vessels because “freight rates remain under severe pressure, and in several corridors the rates do not fully cover our variable costs.”

Some investment analysts predict normalcy will return to the BDI with 2009 poised to be a bounce-back year for shipping stocks. However, Scott Burk, an ocean shipping analyst for investment bank Oppenheimer & Co., paints a pessimistic picture that forecasts “anemic” global dry bulk shipping demand with rates only rising slightly above break-even levels for the first six months of 2009. ■

Motivation, Like Bathing, Doesn't Last

That's why we recommend both daily

That paraphrase from Zig Ziglar should have been embraced by Prosper Inc. of Provo, Utah, when one of its supervisors thought it would be a good idea to waterboard a salesman as a motivational technique to get the company's telemarketers fired up. The supervisor's message... Prosper's salespeople should fight as hard for a sale as the waterboarded employee was fighting for air.

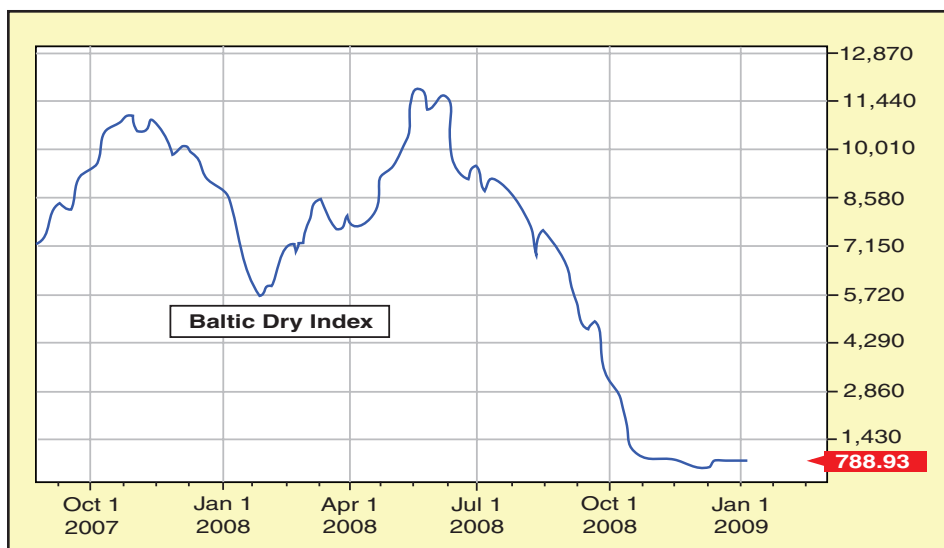
The “victim” volunteered for the demonstration, although later professed he did not know what his supervisor had in mind when asked to participate. Cue the lawyers.

Prosper admitted that what the supervisor did was overzealous, misguided and not authorized by management, but added that it was not nearly as bad an experience as the employee made it out to be. How the company arrived at that determination is unknown.

The critical legal issue was whether the victim was entitled to an award under Utah's Workers Compensation Act. Suit was brought under an exception to the act, which is permitted if the employer's deliberate intent was to cause injury. Unfortunately for the victim, the court didn't see it that way and threw out the case.

The judge ruled that by the victim's own assertion, “the express purpose of (the supervisor's) abusive and intimidating conduct was to motivate team members.” Good insight.

By the way, Prosper describes itself as an educational and coaching business to help people get out of debt or increase their income. According to the company web site, “Our products and services are based on proven principles that, when applied, produce positive results in the lives of individuals and families.” ■



The Garden State is No Bed of Roses *New Jersey Drivers Rank Worst on Test*

Of late, GMAC is best known for elbowing itself to the front of the soup line in Washington to get its bailout money. But it also does an annual national survey of drivers designed to measure their knowledge of driving rules. The winner (or is it loser) for having the least knowledgeable drivers is New Jersey, followed by Washington DC, New York, and Massachusetts. There must be something in the water in the Northeast, because these states have been in the bottom five in each of the last three years.

The best informed motorists are in Kansas, Wyoming, Nebraska and Idaho. All that knowledge seems like a waste in states where you simply point

the car in the right direction and hit the accelerator.

Among some of the more disturbing findings of the test:

- If taken today, over 16% of U.S. drivers would not pass a written driving exam.
- Women were more likely to fail the test than men.
- The older the driver, the higher the score.
- Drivers in the Northeast have the highest failure rate.

The survey included 5,524 licensed drivers at least 16 years old, balanced for gender, age and ethnicity. It included at least 100 drivers from each state and the District of Columbia. ■

Highest Scoring Drivers	
Kansas	Alaska
Wyoming	South Dakota
Nebraska	Oregon
Idaho	Iowa
Minnesota	Washington
Lowest Scoring Drivers	
New Jersey	Mississippi
Washington DC	Hawaii
New York	Louisiana
Massachusetts	West Virginia
Georgia	Maryland

You Can't Get There From Here *At least not very quickly*

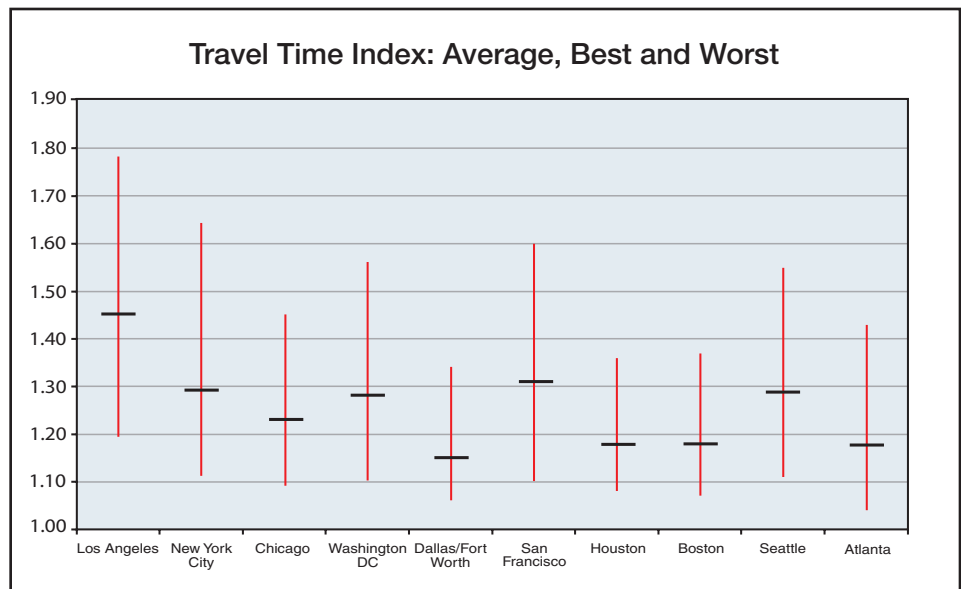
"Time is money" has never been a more meaningful aphorism given the cost of fuel. Companies looking for new sites for warehouses or manufacturing plants should take special note of recent research that identifies the worst traffic congestion in the U.S.

The ten worst metro areas are shown in the accompanying graph, along with the Travel Time Index (TTI) which is the ratio of actual to uncongested travel time as calculated by INRIX (www.inrix.com). For example, a ratio of 1.25 means travel times are increased by 25% due to congestion.

The TTI is shown for each metro area (denoted by the short horizontal line), as well as the best and worst TTI during peak travel hours. These indexes are denoted by the highest and lowest points on the vertical bar for each market.

Los Angeles is ranked number one for travel congestion, with a TTI of 1.45. During the worst peak travel times, the

index jumps to 1.78, but is only 1.19 during the best peak travel times. ■



Kerry, McCain, Bush and Obama

The law firm from Hell?

Thank goodness...no. But there are some interesting changes in the electorate from the Kerry-Bush race to McCain-Obama.

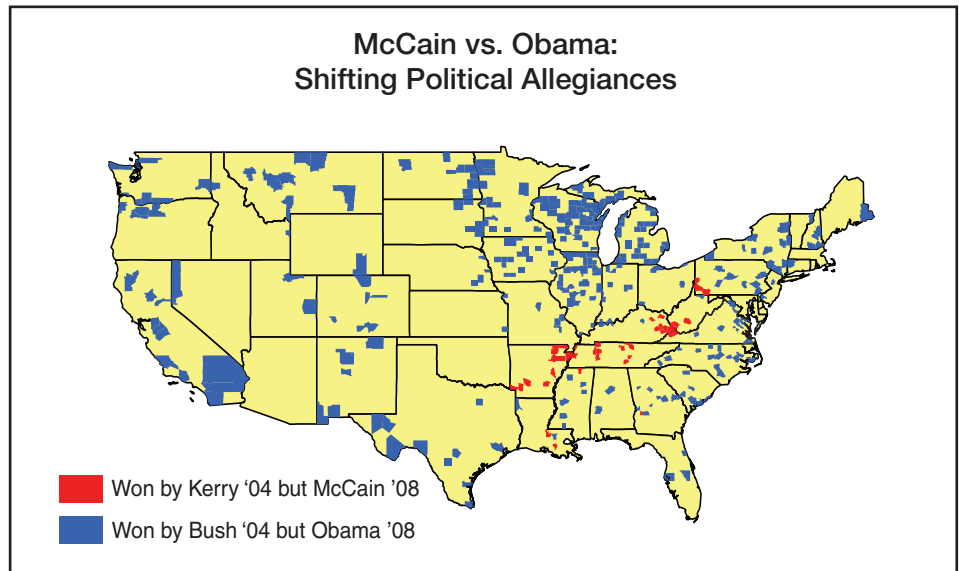
The map at right shows counties that were won by John Kerry in 2004, but were carried by John McCain in 2008. Also shown are counties that switched horses the other way...won by George Bush in 2004, but Barack Obama in 2008. Visually, it's pretty easy to see who was the net winner in this fruit-basket turnover. McCain picked up support in a small number of rural counties while Obama gained in a very large number of counties, many of which are in or adjacent to large metro areas.

Population in the Kerry-to-McCain switchers is about 1.4 million, dwarfed by the Bush-to-Obama counties with nearly 47 million people.

But there are also measurable differences in the demographics of

these two groups. The counties that switched to Obama from Bush have a much higher minority population, and skew younger, neither of which are a surprise. Educational attainment levels

are higher than the Kerry-to-McCain counties, and the Teamsters union accounts for a far larger share of all union certification elections in the counties won by Obama. ■



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John Warden, Executive V.P.
WALKER
 2100 RiverEdge Parkway
 Suite 425
 Atlanta, GA 30328
 Phone: 404/892-1600
 www.walkerco.com

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