

BIRMINGHAM AREA TECHNOLOGY TASK FORCE
Report to the City of Birmingham and the
Birmingham Area Chamber of Commerce
February 21, 2002

Executive Summary

Introduction

In key business growth areas throughout the United States, the development of dynamic technology sectors is a strong stimulant to the expansion of other business and industrial sectors. In communities where special efforts to facilitate technology-based growth and expansion have been made, the impact of such efforts on economic growth, community development, and individual lives is evident. Over the past several years, public-private technology development initiatives have been implemented successfully by communities of various sizes; in Washington State, a highly successful statewide program continues to produce impressive results.

These and other efforts have a number of outcomes in common, the most notable of which is technology sectors which are pacing employment growth, business development activity, job creation, and increases in personal and household income. In addition to such direct economic impacts, technology development initiatives also help create new wealth, ensure an abundance of research and development funding, and pave the way for improvements in education and workforce training, including entrepreneurial development. Generally, technology jobs are higher-paying than average, and generate additional jobs at a higher rate than business and industry as a whole. Technology companies tend to be more export-oriented than those in other business and industrial fields (in Washington State, for instance, companies in technology-related fields make an average of approximately 76 percent of their total sales to out-of-state customers and clients, compared to 40 percent for all companies statewide).

Creating Tomorrow's Technology: Can Birmingham Compete?

Among communities with high prospects for the growth of technology-based business, few would appear to be positioned more favorably than Birmingham, Alabama. Outstanding university and research presence, strong financial institutions, and a well-diversified economy competitive advantages in generating technology-based growth. Despite these advantages, factors—economic expansion in the Birmingham area, both overall and in technology-related sectors, generally has lagged behind that of other major and emerging Southeastern MSAs.

Failure to capitalize fully on the growth potential represented by the extensive technology infrastructure and financial resources present in the Birmingham area has had numerous adverse effects. The result is an ongoing "brain drain" from Birmingham to communities which have been more aggressive in taking the steps necessary to create, support, and expand opportunities for technology-based growth.

The major difference between Birmingham and communities where technology business is a driving economic force is the emergence in those communities of critical synergies between key public and private entities. Development and implementation of a comprehensive strategic plan for technology

growth provides a focal point for coordination and cooperation among these key economic and community stakeholders. For the Birmingham area, undertaking a coordinated effort to maximize technology-based growth represents an unparalleled opportunity for economic expansion, educational enrichment, community and cultural development, and individual advancement.

The BATT Force: A Vision for Birmingham's Future

To address the need for a strategic technology development plan, Birmingham Mayor Bernard Kincaid and the Birmingham Area Chamber of Commerce jointly appointed the Birmingham Area Technology Task Force in July of 2001. The "BATT Force" was charged with developing a plan for maximizing the economic potential of Birmingham and the surrounding region by coordinating and supporting the attraction, start-up, growth, retention, and expansion of technology-based businesses.

Following an official kickoff meeting in August 2001, the BATT Force began its work through six Work Groups, each charged with assessing a specific aspect of technology-related development in the Birmingham area. Through the Work Groups, 165 individuals participated in the BATT Force study process. The Work Groups, and their respective chairs, were:

- **Research and Commercialization**
(Chair, Richard Scrushy, CEO, HealthSouth Corporation)
- **Education and Workforce Development**
(Chair, Dr. Perry Ward, President, Lawson State Community College)
- **Finance, Funding, and Taxation**
(Chair, Charles McCrary, President and CEO, Alabama Power)
- **Infrastructure and Assets**
(Chair, Tom Hamby, President–Alabama, BellSouth Telecommunications)
- **Diversity and Opportunities**
(Chair, Chris McNair, retired Jefferson County Commissioner)
- **Governmental Affairs, Image, and Communications**
(Chair, Shelley Stewart, Vice Chair and Chief Consulting Officer, O2 Ideas)

Following submission of reports from each work group on November 1, 2001, the BATT Force Steering Committee completed the first draft of this report in late December. The body of the BATT Force Report—comprising a brief report and six recommendations—was finalized in mid-January, and announced in summary form on January 24, 2002. The full report was presented to the City of Birmingham and the Birmingham Area Chamber of Commerce during the February 19 meeting of the Birmingham City Council, and issued officially on February 21, 2002.

Report and Recommendations

The BATT Force report is intended to serve both as an expression of a vision for Birmingham's future, and a practical guide for bringing that vision to fruition. The BATT Force vision for Birmingham is a strong, stable, diversified economy, driven by dynamic and sustained growth in technology-related sectors. Maintaining and enhancing the outstanding quality of life available to Birmingham area residents also critical to ensuring our community's long-term prosperity, and should be viewed as a key component of business development efforts.

From Vision to Reality: Answering Key Questions

In preparing this report and making its recommendations, the BATT Force Steering Committee considered three key questions: What goods and services will fuel economic growth during the first 10-20 years of the 21st century? What external factors will shape America's 21st century economy? How can Birmingham be positioned to take maximum advantage of its opportunities—to catch and ride the economic wave of the future?

The Steering Committee also established a working definition of the term “technology-based business,” which includes businesses operating in either of two broad categories. These are: 1) Businesses which *invent, commercialize, produce, and/or apply* high-technology goods and services; and, 2) Businesses which *supply* components and/or contract personnel or services to technology companies as a principal source of revenue; this includes such consulting and professional services as architecture, engineering, legal counseling, and accounting.

Sighting the Target: Technology Clusters

Identifying technology sectors which hold the most promising opportunities for Birmingham to expand its technology base was a central concern of the Steering Committee. Establishing these target “clusters” of technology business and industry will provide for well-focused development efforts, allow for the optimal utilization of resources, and enhance prospects for long-term success. The target technology clusters established through the BATT Force process are:

- **Biotechnology**
 - Drug development and design
 - Drug delivery systems
 - Biodefense initiatives
 - Genomics and proteomics
 - Medical devices

- **Information technology**
 - Software development
 - Telecommunications
 - E-commerce

- **Industry**
 - Health care
 - Automotive
 - Banking
 - Insurance

Transforming the Community: Special Opportunities

In addition to answering key questions about the challenges and opportunities facing Birmingham as it competes in the national economy, and establishing specific technology clusters as targets for special business and entrepreneurial development efforts, the BATT Force process also resulted in the identification of several special opportunities for promoting and leveraging technology-related growth. These are geared primarily toward issues of diversity and community enrichment.

Birmingham’s Next Step: The BATT Force Recommendations

To conclude the study process conducted by the Birmingham Area Technology Task Force and its component Work Groups, the BATT Force Steering Committee is pleased to offer the following recommendations to the City of Birmingham and the Birmingham Area Chamber of Commerce, and to urge expedient and full implementation of the policies, procedures, programs, and initiatives they include.

Recommendation 1

Establish a permanent Birmingham Area Technology Leadership Alliance to lead, support, and coordinate the start-up, attraction, growth, retention, and expansion of technology-based businesses, investments, and jobs for the City of Birmingham and the surrounding region.

During February of 2002, Mayor Bernard Kincaid and the Birmingham Area Chamber of Commerce should announce jointly the formation and initial membership of the Birmingham Area Technology Leadership Alliance (branded as TechBirmingham). Set up as a nonprofit organization, TechBirmingham will function autonomously to coordinate and facilitate existing programs and activities which support technology business development—and, where necessary, formulate, implement, and/or otherwise encourage and support the development of new programs. TechBirmingham also will work to facilitate the utilization of technology by existing business and industry. The organization, funding, and operations of TechBirmingham should be structured as follows:

- **Organization**
 - **TechBirmingham Board of Directors**
 - Technology practitioners
 - Technology users and service providers
 - Governmental, organizational, and institutional allies
 - **TechBirmingham professional and support staff**

- **Advisory groups**
 - **TechBirmingham Advisory Board**
Nationally prominent individuals with ties to Birmingham and/or Alabama;
Local residents who have achieved prominence in technology-related fields;
Others with special insight or perspective on technology-based business (e.g., the Alabama Development Office).
 - **TechBirmingham Accelerator Teams (former BATT Force Work Groups)**
- **Funding**
Primarily private
\$300,000 first year, minimum \$300,000 for subsequent years
- **Operations**
 - **Economic development and capital formation**
Attraction, start-up, growth, retention, and expansion of technology-based business and investment
Availability and utilization of technology by local small businesses
Use of “diversity factors” in formulating strategies and evaluating growth opportunities
 - **Information**
Repository and central point of contact
Creation of neighborhood-based “technology access points”
 - **Partnerships**
Cooperation with other key local agencies and organizations
Relationships with key regional, national, and industry-specific organizations
 - **Legislation**
Develop and support passage of appropriate legislation
Educate key allies and the community on pro-technology legislative issues
Monitor legislative progress

Recommendation 2

Create, cultivate, and maintain a technology-friendly business environment, in which ideas and opportunities flourish, and products and services are moved rapidly into the marketplace.

As a current and prospective location for technology-based business and investment, the Birmingham area has several strengths which enhance its attractiveness. These include proximity to leading-edge technology—and generators of such technology—well-managed and successful technology incubators, a well-trained technology workforce, low operating costs, geography, and community culture. Collectively, these factors provide a strong foundation for building Birmingham’s international reputation as a technology center.

While leveraging existing strengths, a number of other steps also must be taken to create and maintain an environment conducive to technology development, and to maximize opportunities for new and existing technology businesses, ideas, and entrepreneurs in various technology-related fields to succeed in the Birmingham area. These are:

- **Maximize research and commercialization efforts**
 - **Technology Transfer and Commercialization**
 - National analysis of technology transfer and commercialization programs
 - Development of collaborative programs with other research institutions
 - Linkage of existing local technology expertise with applicable Birmingham-based technology through a “feeder program”
 - Aid established companies in maximizing their investment in internal research and development efforts through commercialization of those technologies
 - **Leveraging of Existing Research and Development Sectors**
 - Biotech/biomed strengths
 - Opportunity: Biodefense
 - **Recruiting research & development operations for key business sectors**
- **Establishing and supporting cooperative relationships between local business and industry and local IT entrepreneurs**
 - Matching business and industry technology needs with local IT capabilities
 - Fostering growth of IT businesses focused on meeting business and industry technology needs
 - Fostering creation of “virtual corporations,” prepared to respond rapidly to specific growth opportunities
 - Discovering and marketing intellectual properties
- **Develop an Entrepreneurial District in downtown Birmingham**
- **Implement special programs**
 - Programs for local banks
 - Mentoring teams
 - IT assistance for small businesses
 - Incentives for the creation of “technology neighborhoods”
 - Expansion or enhancement of existing programs

Recommendation 3

Create and attract new sources of capital to fund the local development of technology and the formation and growth of local technology-based businesses, and to attract new technology-based businesses to the Birmingham area.

Despite the presence of key competitive strengths, the Birmingham area historically has not attracted sufficient amounts of equity capital to compete effectively for new technology-based businesses, to properly support the growth of existing tech businesses, or to fund the local development of technology. The scarcity of equity capital in the Birmingham area is exacerbated by two factors: 1) The BATT Force study process suggests that Alabama banks have not yet implemented specialized lending programs for technology-based businesses, including those businesses whose primary asset is intellectual properties, and 2) Alabama does not provide state tax incentives for investment in or attraction of technology-based businesses.

To address the need for new sources of capital, a number of programs and initiatives are recommended. These include:

- **Creation of technology investment funds**
 - Cooperative Investment Fund
 - Early Stage Investment Fund
- **Attraction of local offices of capital sources**
- **Encouraging adoption of specialized lending programs by local banks**
- **Developing and supporting passage of state tax incentive legislation**
 - Transferrable R&D Tax Credit
 - Small Business Investment Tax Credit
 - CAPCO Investment Program
 - Job Development Fee
 - Site/Facility Development Incentives

Recommendation 4

Develop, recruit, and maintain a nationally recognized technology workforce, and develop and implement educational programs which foster entrepreneurship.

Adequate education and training programs are essential to developing, recruiting and maintaining an available labor pool attractive to technology-based businesses. Efforts also must be made to promote business ownership as a career choice—with special emphasis on identifying and encouraging first-generation entrepreneurs—by exposing students at all educational levels to successful entrepreneurs in technology and other fields. Specific recommendations for accomplishing this task are divided into two categories:

- **Workforce and entrepreneurial development**
 - **Consolidated and coordinated technology educational offerings**
Creation of comprehensive technology high school
Creation of neighborhood-based “technology access points”
 - **Privately-endowed technology scholarships (the BATT Fund)**
 - **Web-based educational information and services**
 - **Standing Committee on Technology Education**
 - **Technology internship program**
 - **Entrepreneurial outreach program**
- **Workforce and entrepreneurial recruitment**
 - **Targeted skill sets**
Entrepreneurial
Executive/administrative/financial
Discipline-based
Technical
Industrial
 - **Diversity factors**

Recommendation 5

Establish and maintain strong intergovernmental and public-private relationships.

In accomplishing the mission with which the BATT Force was charged by Mayor Kincaid and the Chamber—maximizing the economic potential of Birmingham and the surrounding region by developing a strategic plan for promoting and supporting the start-up, attraction, growth, expansion, and retention of technology-based businesses—a network of cooperative partnerships will play a major role. Forums for establishing and nurturing such partnerships are recommended.

- **Work for adoption of local and state legislation to enhance technology business development**
- **Provide a forum for developing local policies and programs to enhance technology business development**
- **Establish an Alabama Technology Development Council**

Recommendation 6

Work with existing economic development and business retention organizations to coordinate and facilitate an image and awareness campaign—including a leading-edge Internet presence—to promote both internally- and externally-generated technology growth in the Birmingham area, and to establish a national image of Birmingham as a vibrant and progressive community ideal as a location for technology-based business.

A multi-media image and awareness campaign to create a “brand identity” for the Birmingham area is an essential component for the success of the overall technology development program advanced through the recommendations of this report. TechBirmingham’s efforts in this regard will be focused on coordinating with the Economic Development Partnership of Alabama, the Birmingham Metropolitan Development Board, the Birmingham Area Chamber of Commerce, City of Birmingham economic and community development staff, and other economic development and business retention organizations to ensure that the technology brand identity of the Birmingham area is marketed effectively.

- **Image and awareness campaign**

- Attraction of new and expanding technology-based businesses and investment

- Attraction of a full range of skilled and experienced technology workers

- Promotion of technology-related business, investment, job, and educational opportunities

- Promotion of technology development as a defining community opportunity for the Birmingham area, and as a source of civic pride for area residents

- **TechBirmingham/Birmingham Internet presence**

- TechBirmingham Website

- Opportunity: Establishment of a network access point (NAP) in Birmingham

Conclusion: An End... and a Beginning

Formal submission of this report to the City of Birmingham and the Birmingham Area Chamber of Commerce brings the BATT Force to the successful conclusion of its charge. With the end of the BATT Force, however, the real work—obtaining the public and private support and cooperation necessary to implement a strategic plan, which achieves the desired result of making Birmingham a national leader in developing technology-based business—has just begun.

The Birmingham area has the talent, the skills, the infrastructure, and the resources to fulfill the vision launched by Mayor Kincaid, the Chamber of Commerce, and other leaders of our community. The challenge before us is finding the determination and perseverance to make that vision a reality.