

From: [Craig Quigley](#)
To: [Craig Quigley](#)
Subject: EXECUTIVE INSIGHT BRIEF | May 12, 2017
Date: Saturday, May 13, 2017 8:53:18 AM

Ladies & Gentlemen, below please find this week's edition of *Executive Insight Brief* from The Roosevelt Group.

Craig R. Quigley
Rear Admiral, U.S. Navy (Ret.)
Executive Director
Hampton Roads Military and Federal Facilities Alliance
757-644-6324 (Office)
757-419-1164 (Mobile)



EXECUTIVE INSIGHT BRIEF | May 12, 2017

TOP STORIES

U.S. AND CHINA SIGN TRADE AGREEMENT. Under the deal, China will also lift its ban on U.S. beef imports and accept U.S. shipments of liquefied natural gas. In return, Chinese cooked chicken will be allowed into the U.S. market and Chinese banks can enter the U.S. market. Commerce Secretary Wilbur Ross said the deal should reduce China's trade surplus with the U.S. by the end of 2017. [Read more](#)

MY DINNER WITH COMEY: CURRENT AND FORMER FBI OFFICIALS DISPUTE TRUMP ACCOUNT OF MEETING WITH FBI DIRECTOR. One day after the acting attorney general warned the White House that its national security adviser was subject to blackmail, the president summoned the FBI director to dinner at the White House, sources close to James Comey told NBC News. [Read more](#)

VENEZUELA TRIES PROTESTERS IN MILITARY COURT 'LIKE WE ARE IN A WAR'. Cheers erupted as the protesters toppled the statue of former President Hugo Chávez, the metal cracking against concrete. The scenes, distributed around [Venezuela](#) on social media, showed a crowd smashing the sculpture on a curbside as others came to set a fire inside its shattered belly.

[Read more](#)

EBOLA: WHO DECLARES OUTBREAK IN DR CONGO. At least one person has died after contracting the virus in the country's north-east, the WHO says. The Congolese health ministry had notified the WHO of a "lab-confirmed case" of Ebola, [it added](#) on Twitter. More than 11,000 people died in the Ebola outbreak in West Africa in 2014-2015, mainly in Guinea, Sierra Leone and Liberia. [Read more](#)

NORTH KOREA SENDS LETTER TO CONGRESS PROTESTING U.S. SANCTIONS. North Korea's parliament sent a rare letter of protest to the U.S. House of Representatives over its new package of tougher sanctions, state media reported Friday. The sanctions were condemned as a "heinous act against humanity" by the foreign affairs committee of the North's Supreme People's Assembly, the report said. [Read more](#)

RUSSIAN FIGHTER JET COMES WITHIN 20 FEET OF U.S. NAVY PLANE: OFFICIAL. A Russian fighter jet came within about 20 feet of a U.S. Navy surveillance aircraft over the Black Sea earlier this week, an American official said. The Su-27 approached the P-8A Poseidon while it was "conducting routine operations in international airspace" on Tuesday, according to Capt. Pamela Kunze, a spokeswoman for U.S. Naval Forces Europe. [Read more](#)

MAJOR CYBERATTACK HITS MORE THAN A DOZEN BRITISH HEALTH INSTITUTIONS. More than a dozen hospitals and healthcare services across England were hit by an apparent cyberattack Friday, health care authorities said. Services in London, the central city of Nottingham, and the counties of Hertfordshire were affected. [Read more](#)

ADMINISTRATION

PRICE PREDICTS OBAMACARE REPEAL PASSES SENATE BY AUGUST. Health and Human Services Secretary Tom Price on Friday said he expects the Senate to pass its version of a bill to repeal and replace Obamacare by August. "I do," Price told conservative radio host [Hugh Hewitt](#) on Friday morning. "I believe the Senate will produce a bill this summer." Asked if he anticipates the chamber voting on such legislation before the month-long August recess, Price said, "I believe so." [Read more](#)

TRUMP LAWYERS: TAX RETURNS SHOW NO INCOME FROM RUSSIA WITH FEW EXCEPTIONS. President Trump's lawyers on Friday said that Trump's last ten years of tax returns do not reveal "any income of any type from Russian sources" with some exceptions, but refused to release copies of his tax returns to verify. [Read more](#)

SPICER'S MAKE-OR-BREAK BRIEFING. Press secretary Sean Spicer's tenure has been mesmerizing from the moment he walked to the podium on Jan. 21 to deliver an impassioned, and largely inaccurate, screed about the crowd sizes at President Donald Trump's inauguration. [Read more](#)

CONGRESS

GOP SENATOR THREATENS TO BLOCK TRUMP'S CIA NOMINEE. Sen. Chuck Grassley (R-Iowa) is placing a hold on a key nominee to the CIA because the intelligence agency has failed to respond to his letters. Grassley says he will not allow Courtney Elwood's nomination for CIA general counsel to move forward until he is satisfied. [Read more](#)

MCCONNELL PROMISES WOMEN CAN TAKE PART IN HEALTHCARE MEETINGS. Senate Majority Leader Mitch McConnell (R-Ky.) has provided assurance to GOP colleagues that women will be invited to attend future meetings of a special working group tasked with negotiating healthcare reform. [Read more](#)

DEMOCRATS SEEK NEW PROBE ON WHETHER TRUMP MEDDLED WITH FBI. Four Senate Democrats on Friday asked the Department of Justice's inspector general to open a new probe into any "political interference with the FBI's investigation into" possible collaboration between President Donald Trump's campaign and Russian officials to upend the 2016 election. [Read more](#)

POLITICS

DNC NAMES NEW CEO. Veteran Democratic operative Jess O'Connell will take the reins as the CEO of the Democratic National Committee, the DNC announced Friday morning, putting her in charge of its day-to-day operations

as she oversees its rebuilding project. [Read more](#)

VICE PRESIDENT MIKE PENCE SAYS ISLAMIC STATE IS WAGING ANTI-CHRISTIAN 'GENOCIDE'. Vice President Mike Pence said Thursday that the reign of terror carried out by the Islamic State militant group should be labeled “genocide” against Christians. “I believe that ISIS is guilty of nothing short of genocide against people of the Christian faith, and it is time for the world to call it by name.” [Read more](#)

JEFF SESSIONS ENACTS HARSHER SENTENCING AND CHARGES IN CRIMINAL JUSTICE OVERHAUL. Attorney General Jeff Sessions is directing federal prosecutors to pursue the most serious charges possible against the vast majority of suspects, [a reversal](#) of [Obama-era policies](#) that is sure to send more people to prison and for much longer terms. [Read more](#)

DEFENSE AND FOREIGN AFFAIRS

SATELLITE IMAGE SHOWS CHINESE DEPLOYMENT OF NEW AIRCRAFT TO SOUTH CHINA SEA. China has deployed its latest airborne early warning and control aircraft to an air base on the fringes of the disputed South China Sea, according to exclusive satellite imagery obtained by Defense News. [Read more](#)

U.S.-BACKED FORCES RETAKE STRATEGIC SYRIAN CITY, DAM FROM ISIS. United States-backed forces in Syria have retaken the strategic Syrian city of Tabqa, as well as a nearby dam and airfield, from the Islamic State in Iraq and Syria (ISIS), the Pentagon confirmed Thursday. The victory further isolates Raqqa, ISIS's de facto capital, and brings the U.S.-led coalition and its local allies closer to the long-anticipated assault on the city. [Read more](#)

TURKEY TO INK 'LARGEST EVER EXPORT DEAL FOR LOCAL INDUSTRY'. The Turkish government is about to finalize its efforts to ink two major naval export deals totaling between \$1.5 billion and \$2 billion, official sources said on condition of strict anonymity. “This will be the largest ever export deal for Turkey’s local industry,” one source said. An official from Turkey’s procurement office, the Undersecretariat for Defense Industries (SSM in its Turkish acronym) did not comment. [Read more](#)

ECONOMY AND FINANCE

NISSAN REPORTS 27% JUMP IN ANNUAL PROFITS. Japan's second biggest carmaker had net profits of 663.5bn yen (\$5.8bn; £4.5bn) in the year to the end of March. But Nissan forecast profits would drop by about 20% this financial year, partly due to currency fluctuations. Earlier this week rival Toyota reported a fall in annual profits for the [first time in five years](#), and warned this year risked being tougher still. [Read more](#)

BANK OF ENGLAND WARNS OF CONSUMER SPENDING SQUEEZE.

This year will be "a more challenging time for British households" and "wages won't keep up with prices," he said. He was upbeat about wage growth beyond 2017 - but only if the government secures a "smooth" exit from the EU. It came as the bank trimmed UK economic growth forecasts for 2017 from 2% to 1.9% and held interest rates at 0.25%. [Read more](#)

APPLE BECOMES FIRST COMPANY WORTH \$800BN. Apple has become the first company in history to top the \$800bn mark in market capitalization, slightly more than two years after it crossed the [\\$700bn threshold](#). The iPhone maker's shares have gained 33% this year and almost 50% since the U.S. election in November. Shares closed at \$153.99 on Tuesday. [Read more](#)

ENERGY AND ENVIRONMENT

U.S. GLACIER NATIONAL PARK LOSING ITS GLACIERS WITH JUST 26 OF 150 LEFT. It's now "inevitable" that the contiguous United States will lose all of its glaciers within a matter of decades, according to scientists who have revealed the precipitous shrinkage of dozens of glaciers in [Montana](#). Warming temperatures have rapidly reduced the size of 39 named glaciers in Montana since 1966, according to [comparisons released](#) by the US Geological Survey (USGS) and Portland State University. [Read more](#)

NEW METHOD OF MICROBIAL ENERGY PRODUCTION DISCOVERED.

For all living things to succeed, they must reproduce and have the energy to do so. An organism's ability to extract energy from its surroundings-and to do it better than its competitors-is a key requirement of survival. Until recently it was thought that in all of biology, from microbes to humans, there were only two methods to generate and conserve the energy required for cellular metabolism

and survival. [Read more](#)

UN EXAMINES FOSSIL FUEL INFLUENCE IN CLIMATE TALKS

PROCESS. Environmental groups allege that fossil fuel industries are funding a number of business and industry participants in these talks. These groups should be restricted, say the campaigners, because they say their goal is to slow down or derail progress. Business representatives say that the discussion is an attempt at censorship. [Read more](#)

TECHNOLOGY

VERIZON BUYS 5G WIRELESS SPECTRUM HOLDER FOR \$3.1 BILLION.

Verizon will pay \$3.1 billion for wireless spectrum holder Straight Path Communications, it confirmed today, giving it access to the kind of frequencies it could build a 5G network around. The communications giant beat out rival AT&T, [The Wall Street Journal says](#), which had offered to buy Straight Path for \$1.6 billion in stock. [Read more](#)

A SUPERCHARGED SENSOR THAT COULD SOON MAKE HOMES

SCARY-SMART. If you want to set up a connected home, you've got two options. You can buy a bunch of smart gadgets that may or may not communicate with other smart gadgets. Or you can retrofit all of your appliances with sensor tags, creating a slapdash network. The first is expensive. The second is a hassle. Before long, though, you might have a third choice. [Read more](#)

UBER SHOULD BE TREATED AS A TRANSPORT COMPANY, EU

ADVISOR SAYS. An advisor to Europe's highest court has said that Uber should be regulated as a transportation company, in a case that could determine the ride-hailing company's future in the European Union. In a [opinion](#) handed down Thursday, Maciej Szpunar, the advocate general of the European Court of Justice (ECJ), said that Uber "cannot be regarded as a mere intermediary between drivers and passengers". [Read more](#)

RE INVENT

HAMPTON ROADS

May 9, 2017

York County
Attn: Neil Morgan, County Administrator
224 Ballard Street
Yorktown, VA 23690

Re: Industry Cluster Scale-Up Project

Dear Mr. ^{Neil}Morgan:

At your April 15th CAO monthly meeting I provided an update regarding the State's GO VA program and several initiatives underway by Reinvent Hampton Roads. Thank you for the opportunity to meet with you. This letter is prepared since several CAO's could not be present and several others asked for more detail on the regional Industry Cluster Scale-Up project.

Background

In 2016, the Hampton Roads Community foundation and Reinvent Hampton Roads (RHR) funded the preparation of a detailed examination of our regional economy. This analysis confirmed that the performance of the Hampton Roads regional economy is lagging the Commonwealth of Virginia and national economies as well as the performances of it's peer metropolitan areas. This is not a one-time event but reflects a long-term trend dating since 2010. This lagging performance is apparent in both the region's generation of new jobs, the value of these jobs and contribution to the region's gross regional product. The region's economy still has not replaced all of the private sector jobs that it lost during the Great Recession and the jobs that it has added during the recovery have had a lower average salary than the jobs it lost during the recession resulting in a six-year period (2010-2015) in which annual economic growth averaged only 0.3 percent.

The Hampton Roads regional economy has undergone a major structural change since 2010. Cutbacks in federal spending, in payroll but particularly in contracting, have resulted in the region's economy registering little or no growth between 2009 and 2014, and losing more private sector jobs during the recession between 2007 and 2010 than the regional economy has generated during the recovery between 2010 and 2016. The Hampton Roads region had the smallest job growth rate among its 35 peer metropolitan areas over the 2001-2014 period. This pattern of under-performance is projected to continue into the future as long as the region's economy remains overly dependent for it's growth on increases in federal spending and fails to shift its growth-generating activities to its competitively positioned, core industrial clusters. The analysis concluded that the focus of the Hampton Roads "new" economy must shift to non-federally dependent businesses that serve non-local markets, that are characterized by higher-

James K. Spore
President & CEO

101 W. Main Street
Suite 415
Norfolk, VA 23510

757-961-8181
reinventhr.org
Jspore@reinventhr.org

value added, higher-wage jobs and for which the Hampton Roads region possesses distinct competitive advantages. The longer that the Hampton Roads economic growth lags its peer metropolitan areas and the nation more broadly, the more difficult it will be to successfully pivot the region's economy within the highly competitive non-government markets for its products and services. Economic growth and development are cumulative and Hampton Roads' peer metropolitan areas are gaining traction, adding value and strengthening their competitive positions while the Hampton Roads' economy has struggled to remain positive.

Having just completed the preparation of your respective municipal budgets, you undoubtedly appreciate the financial and economic impacts these trends are presenting all of us throughout the region. The question becomes, what can we do about these trends to alter the economic trajectory of the region?

Industry Cluster Scale-Up Project

Our analysis of the Hampton Roads regional economy identified seven core industrial clusters that have developed over time reflecting the region's competitive assets that provide goods and services to non-local markets, that have growth potential sufficient to compensate the contraction of the federal market and that can support long-term accelerating growth to the benefit of the Hampton Roads region.

These core clusters are established, they are export-based, they have above average growth potential and most have above average wage levels that can help grow the region's local service business base. Seven existing regional core clusters were identified: Advanced Manufacturing, Food and Beverage Manufacturing, Ship Building and Repair, Life Sciences, Port Operations-Logistics-Warehousing, Business Services, Tourism and Recreation. In addition, four aspirational clusters were identified: Cybersecurity, Unmanned Systems, Advanced Materials, and Alternative Energy. These aspirational or emerging clusters are areas that are not yet well-established/dense in Hampton Roads but are areas that we believe have significant growth potential in the region.

Hampton Roads' core industrial clusters employ nearly 154,000 workers or 20% of the region's workforce. They are adding jobs significantly faster than the rest of the economy and paid annual wages in 2015 on average of \$60,524 versus \$39,542 in the non-core clusters and in predominately local-serving businesses.

Therefore, we have designed a project to play to our strengths and to scale-up or accelerate the growth of individual small and medium sized businesses, in these core clusters. We have generally defined a small to medium sized business as one with 10 to 50 employees that has a revenue producing (\$2+ million/year) product or service. As these firms grow their clusters will deepen and grow as well and in turn add to our ability to attract associated supply chain operations to the region.

Project Approach and Description

A Cluster Scale-Up model was developed and is shown in Attachment One. Starting at the top, the various clusters were identified and confirmed by the GMU/ODU cluster analysis work.

Next moving clockwise on the model, an in-depth Situation Analysis is conducted for each cluster. The analysis is prepared by a Cluster Steering Committee focused on each cluster. The Steering Committees are lead by co-chairs and are comprised of six to eight members that have "skin-in-the-game" – actual businesses in the particular cluster. In addition, one member from either a university or federal laboratory is involved that is knowledgeable on trends in research and potential opportunities in the cluster area.

The situational analysis is intended to develop a better understanding of each cluster area, identify who is in that space, what challenges and opportunities are present. The Cluster Steering Committee via the Situational Analysis identifies a list of small and mid-sized businesses operating in the Cluster that they feel have the potential and desire to accelerate their growth and scale-up. Generally, a company that's scaling up would be able to achieve at least a 20% growth rate annually five consecutive years – doubling its size in five years.

Once those potential companies have been identified, those interested in participating in the program are “on-boarded” and utilize a diagnostic tool called Core Value to quickly and easily display information on 18 key business elements. The Core Value tool has been developed on research at MIT and successfully used for years. The tool flags areas where problems may exist based on comparison with an extensive data base of comparable companies.

Reinvent Hampton Roads has entered into a partnership with GENEDGE. GENEDGE, as the Commonwealth of Virginia affiliate of the National Institute of Standards and Technology Manufacturing Extension Partnership is committed to the long term success of Virginia enterprises through the provision of high quality, affordable consulting services. GENEDGE was created and partially funded by the General Assembly and has been in operation since 1994 serving thousands of industrial businesses across the Commonwealth. According to the U.S. Department of Commerce, GENEDGE provides a 25:1 return for every dollar invested by clients in its services. GENEDGE provides the resources – advisors, consultants and mentors needed at various stages of the analysis, strategy development and growth process to facilitate the companies growth and scale-up.

The services provided to participating companies are offered at a deeply subsidized rate – 25% from the participating company and 75% from Reinvent Hampton Roads/GENEDGE. Initial assessments are provided at no cost to the company. Once completed, in a few hours, the company elects to proceed further or not in the process. Previous participants have provided very positive feedback on the value of the process and tangible results achieved.

Local Partnership Proposal

As explained above, Reinvent Hampton Roads has conducted the needed analysis of the regional economy, developed a process to accelerate company and cluster growth, and partnered with GENEDGE to provided cost effective services. The project offers real promise to achieve higher paying jobs growth and positive economic activity in the identified industry clusters. We have piloted the process and are currently working with companies in the cybersecurity and unmanned systems clusters. Funding is being provided by various sources including, state/federal, foundation, private donors and RHR sponsors. We believe this effort will provide real results for regional economic growth and that the regions cities and counties ought to want to be involved as partners. You can help in two ways – by helping to identify potential scale-up companies in your jurisdiction that might benefit from the process and by participating in a minor, but symbolically important financial way to help cover a small portion of program costs that will allow more companies to benefit and in turn create additional job growth in the region.

A suggested local jurisdictional financial support schedule has been prepared, which was distributed at your April CAO meeting, and is included here as Attachment Two.

The Local Value Proposition

Although the individual support amounts suggested are small and represent a minor percentage of program costs, the benefit to each city, county and the region as a whole can be very substantial:

- Higher paying job growth and associated increased revenues to localities.
- As existing companies scale-up and associated cluster “density” increases in the region this will encourage additional companies to locate in the region.
- As each cluster becomes more ‘dense’ elements of supporting supply chains will consider location in Hampton Roads, causing further job and tax base growth.
- As companies in the core clusters scale-up additional jobs/establishments in support sectors, retail, restaurant, entertainment and personal services will be created.
- Localities can market the scale-up program to local companies within their jurisdiction as a beneficial and business improvement option.
- By strengthening and deepening our core industry clusters we will collectively assist in HREDA’s efforts to recruit new firms to Hampton Roads. This is consistent with HREDA’s new cluster focused attraction strategy and goals.
- Participating in the collaborative scale-up program would send a concrete and positive message to constituents as a real example of localities working together to improve the regional economy.

Conclusion

The Cluster Scale-Up Project offers an innovative approach consistent with established economic growth theory, to target higher paying job creation where the region is most likely to succeed – in those areas where we are already highly competitive. This effort is one of several initiatives being collaboratively pursued with our partners by Reinvent Hampton Roads. Its focus is growth among existing companies in our identified competitive clusters in the areas most likely to succeed. Most authorities confirm that at least 70% of job growth will occur in existing businesses. The Cluster Scale-Up project prioritizes the areas of highest probability for success and growth.

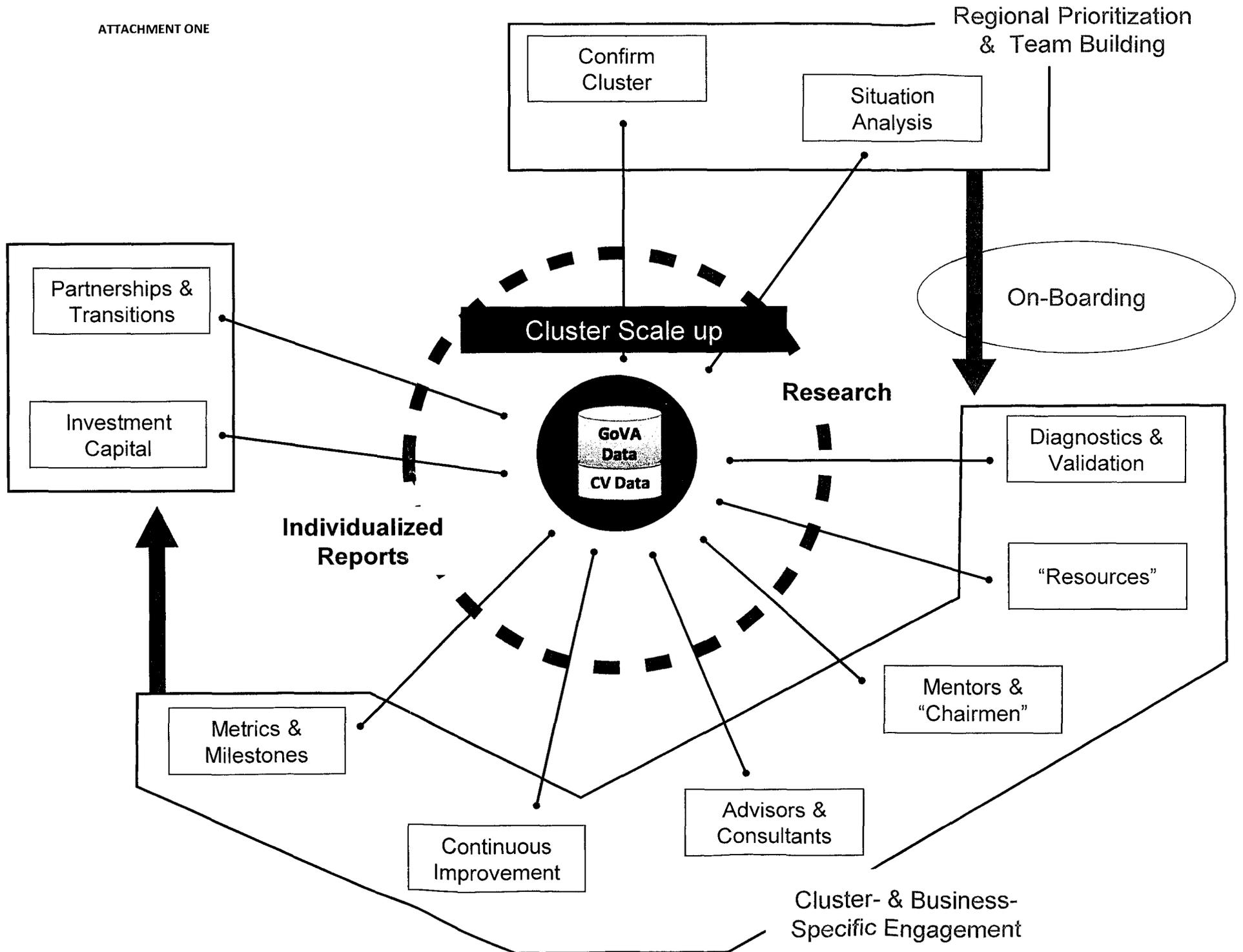
Reinvent Hampton Roads encourages your jurisdiction to join with us and others to extend the reach of this innovative effort and thereby improve the economic performance of the entire region. I am available to respond to questions you may have or meet personally to discuss the project at your convenience.

Best Regards,



James K. Spore
President and CEO

Attachment



ATTACHMENT TWO

Local Jurisdictional Financial Support: Scale-Up Project

Population	Jurisdiction	Amount	'Membership' Category
450,980	Virginia Beach	\$25,000	150,000 + up
245,428	Norfolk	\$25,000	
233,371	Chesapeake	\$25,000	
182,965	Newport News	\$25,000	
136,879	Hampton	\$10,000	50,000 to 150,000
96,004	Portsmouth	\$10,000	
86,806	Suffolk	\$10,000	
72,583	James City County	\$10,000	
66,342	York County	\$10,000	
37,141	Gloucester County	\$5,000	Under 50,000
36,007	Isle of Wight County	\$5,000	
32,973	Accomack County	\$5,000	
18,059	Southampton County	\$5,000	
14,691	Williamsburg	\$5,000	
12,155	Northampton County	\$5,000	
12,048	Poquoson	\$5,000	
8,526	Franklin	\$5,000	
8,220	Smithfield	\$5,000	
6,790	Surry County	\$5,000	