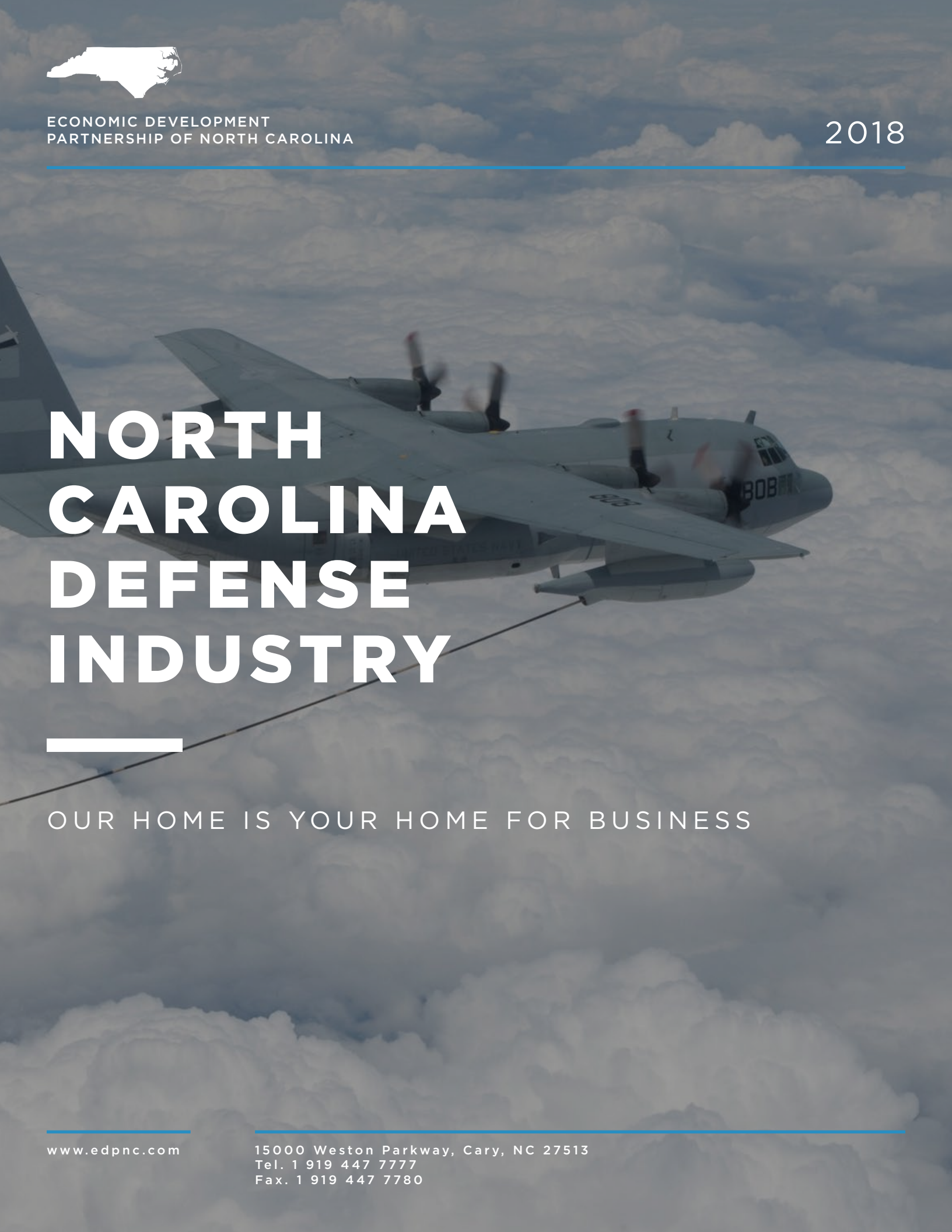

ECONOMIC DEVELOPMENT
PARTNERSHIP OF NORTH CAROLINA

2018

NORTH CAROLINA DEFENSE INDUSTRY

OUR HOME IS YOUR HOME FOR BUSINESS

www.edpnc.com

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Revised March 2018

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Invest in **North Carolina**

North Carolina is proud to be home to some of the leading defense companies and most valuable military assets in the nation. From our strategic proximity to the nation's warfighters to a robust research ecosystem spanning multiple industries, our state has everything your business needs to succeed. Businesses locating here enjoy close access to major military installations including Fort Bragg, Camp Lejeune, Seymour Johnson Air Force Base, USCG Elizabeth City, and MCAS Cherry Point. And with assets like the US Army Research Office and NSA Laboratory for Analytic Sciences, North Carolina leads the nation in cutting edge defense technology.

- **Cutting-Edge Industry Research Network**
- **Business-Friendly Environment**
- **Unparalleled Access to a Military Workforce & STEM Talent**
- **Strategic Location for Defense Market Access**
- **Exceptional Quality of Life**
- **Proximity to the End User**

We hope you'll read on to find out why you should consider **North Carolina** for your next investment decision.

North Carolina's **Defense Industry Advantage**

North Carolina is home to defense industry leaders engaged in product and process innovation. From jet propulsion and unmanned aerial systems to hardware and software development, North Carolina companies flourish in the state's unique ecosystem of collaborative research and development. In fact, North Carolina has the second fastest-growing aerospace product and parts manufacturing sector in the U.S. The state also has one of the largest and fastest-growing information technology sectors in the U.S. In 2017, Department of Defense prime military contracts performed in NC totaled nearly $3 billion.

Military Workforce
North Carolina has the third largest active duty and reservist population in the U.S. This significant military presence yields a skilled labor pipeline for the defense industry. According to the Defense Manpower Data Center, 21,000 military personnel on average are projected to re-enter the civilian workforce each year in North Carolina. These future employees have in-demand occupation skills and active duty specialization in areas such as aerospace propulsion and ground equipment.

Defense Research and Development
North Carolina ranks #1 in the U.S. for industry-sponsored research. In addition to its having a workforce with military expertise, North Carolina also offers a high concentration of research and development activity. North Carolina's public university system (UNC) consistently ranks in the top five university systems in the nation for federal research expenditures. Nine universities in the UNC system have defense-specific research and development programs, including partnerships with the Army Research Laboratory. Research topics include human-machine system engineering, nanosystems engineering, textile performance, and forensic science. The National Security Agency (NSA) partnered with North Carolina State University in Raleigh, NC to create the Laboratory for Analytic Sciences.

The **positive business environment** and employee work ethic in the region were **key factors in the selection of Union County [North Carolina]** for the expansion.

Richard Harshman,
CEO, ATI Specialty Material

Research and Development

LORD
MANN+HUMMEL
ABB
RTI INTERNATIONAL
Booz | Allen | Hamilton
ARA

Life Science and Biotechnology Research

gsk
Biogen
Pfizer
novo nordisk
LabCorp
QUINTILES

Electronics and Weapons Manufacturing

Kearfott
a subsidiary of Astronautics Corporation of America
UTC Aerospace Systems
KDH DEFENSE SYSTEMS
Remington
RUGER
Johnson Controls

Aircraft Engine and Parts

GE Aviation
CURTISS-WRIGHT
Kidde
United Technologies
HondaJet
Honeywell
SPIRIT AEROSYSTEMS

Unmanned Systems

PRECISIONHAWK
Charlotte UAV
PRIMALSPACE
IBM
GARMIN
SuperDroid Robots

Software and Information Technology

LOCKHEED MARTIN
HARRIS
L3
LEONARDO
GENERAL DYNAMICS
Mission Systems

Automobile Parts Manufacturing

Continental Structural Plastics
TAKATA
GKN Driveline
LINAMAR
Power to Perform
NGK SPARK PLUGS

North Carolina's **Defense Industry Assets Map**

At the Epicenter of the Warfighting Community

1/10
Employees

The military supports about 10% of all North Carolina employment.

397,305
Veterans

North Carolina is home to one of the largest veteran labor forces in the U.S.

177,488
College-Educated Veterans

Over one fourth of the state's veteran population has a bachelor's degree or more.

#4
Military Economic Output

Federal military spending contributes over $11B to the state's economy each year, ranking 4th in the United States.

13%
Military Output Growth

In real terms, the impact of federal military spending has increased 13% in the past decade.

#3
Active Duty Army Presence

N.C. has the third largest Active Duty Army presence with 39,322. There are also 16,214 Army National Guard and Reserve Soldiers.

Military Bases	Location
Fort Bragg (Army)	Fort Bragg
Camp Lejeune (Marines)	Jacksonville
Air Station at Cherry Point (Marines)	Havelock
Seymour Johnson (Air Force)	Goldsboro
Elizabeth City Air Station (Coast Guard)	Elizabeth City

Military Commands	Location
US Army Forces Command (FORSCOM)	Fort Bragg
US Army Reserve Command (USARC)	Fort Bragg
US Army Special Operations Command (USASOC)	Fort Bragg
Joint Special Operations Command (JSOC)	Fort Bragg
XVIII Airborne Corps	Fort Bragg
II Marine Expeditionary Force	Camp Lejune
II Marine Aircraft Wing	Cherry Point
Marine Corps Forces Special Operations Command (MARSOC)	Camp Lejeune
USAF 4th Fighter Wing	Seymour Johnson AFB
USCG Air Station	Elizabeth City
USCG Small Boat Station	Elizabeth City

Military Assets	Location
Pope Field (Air Force/Army)	Fayetteville
Air Station at New Rive (Marines)	Jacksonville
Fleet Readiness Center East (Navy)	Cherry Point
Aviation Logistics Center (Coast Guard)	Elizabeth City
US Research Office (Army)	Durham
Military Ocean Terminal (Army)	Sunny Point
NC Joint Force Headquarters (National Guard)	Raleigh
Air Base (National Guard)	New London
Air Base (National Guard)	Charlotte

Allied Industries in the **Defense Ecosystem**

North Carolina's workforce features all the skillsets needed for defense companies to grow. The multi-faceted needs of the industry require a skilled workforce from multiple sectors like advanced manufacturing, information technology, and aerospace. Combined, North Carolina is home to 1,601 firms employing 133,143 people with skillsets that can be directly utilized by companies in this industry. In North Carolina, companies in the defense industry can easily find workers with the right skillsets.

Photo by Lance Cpl. Taylor Cooper

Photo by Marc Barnes

Industry Support **& Skilled Workforce**

Young, Fast-Growing Workforce

Twenty six percent of North Carolina's population is millennials, and one in five NC adults will be gen Z by 2035. Publications such as Business Insider and Forbes rank NC cities among the top destinations for millennials. In addition, North Carolina has ranked as a top state for domestic in-migration for 24 consecutive years.

Top Market for STEM Talent

North Carolina's institutions of higher education confer 22,700+ Science, Technology, Engineering, and Math degrees and certificates annually. This is the second-highest number of STEM completions in the Southeastern U.S. Two of N.C.'s universities, the UNC Chapel Hill and Duke, rank among the top 35 universities in the world for the most U.S. utility patents in 2016. Over the last fifty years, North Carolina has ranked #4 in the nation for patent growth per capita.

Organizational Support

Universities
Elite higher education institutions across the state support North Carolina's workforce.

North Carolina has 53 colleges and universities. The University of North Carolina System draws students from all over the world to its 17 campuses. The state's three Tier 1 research universities: North Carolina State University, Duke University, and the University of North Carolina at Chapel Hill, are at the forefront of education and R&D. N.C. boasts two of the top twenty MBA programs in the country, according to U.S. News and World Report. North Carolina State University offers degree programs in aerospace engineering and has multiple research projects with the Department of Defense.

Community Colleges
Pioneering the nation's most advanced programs in vocational and technical education.

The North Carolina Community College System (NCCCS) offers some of the most advanced vocational and technical programs in the U.S. More than 800,000 students enroll at one of NCCCS's 58 campuses each year. NCCCS offers degrees and certificates relevant to the defense industry such as aviation electronics, computer engineering, aviation systems technology, and welding to name a few. The ten community colleges making up the NC Advanced Manufacturing Alliance provide specialized workforce training on state-of-the- art equipment for the advanced manufacturing sector.

NCWorks
Providing customized training and recruiting services for North Carolina businesses.

NCWorks is a free, customized job training and recruiting program for new and expanding businesses. NCWorks offers comprehensive training via community college programs as well as customized curricula tailored to address specific business and industry needs. In fact, NCWorks has trained nearly 37,000 employees from 861 companies across the state. Ninety-two percent of the companies served have been advanced manufacturers.

Fostering Entrepreneurship
Organizations across the state work to promote innovation and a vibrant startup culture. This is best demonstrated by North Carolina's growing venture capital sector. In 2017, 173 startups in North Carolina raised over $1.2 Billion in venture capital.

Organization	Description
NC Department of Commerce	Conducts dedicated defense industry business and recruitment.
NC Department of Transportation	Home to the state's UAS Office, a leader in drone implementation and public policy.
NC Department of Military & Veteran Affairs	Cabinet-level agency charged with serving the state's military installations and communities.
NC Military Affairs Commission	Provides counsel to the executive branch on ways to strengthen the state's military institutions.
NC Military Foundation	Military and corporate leaders who collaborate to grow NC's defense economy.
NC Military Business Center	Provides services to help businesses develop supply chains and to find, compete for, win, and successfully execute federal contracts.
NC Defense Technology Transition Office	Facilitates increased collaboration between DoD innovation offices and the NC innovation ecosystem.
NC Defense Business Association	Promotes defense-related business via information and networking opportunities.
BioDefense Center	Facilitates connections between the defense industry and the life science industry to support bioscience R&D.
Laboratory for Analytic Sciences	Located at NC State, a NSA translational research laboratory that supports DoD and the intelligence community.
NC4ME	Connects employers seeking talent with service members and veterans seeking job opportunities.
UNC Defense Applications Group	Leverages the capabilities of the UNC system to support military partners.

LORD Corporation is headquartered in NC because this is a **great place to grow our global business.** The **talent pipeline** coming out of the universities and community colleges provides a **highly skilled workforce** that our business demands. The quality of life makes it **very easy to attract and retain talent.**

Ed Auslander,
President and CEO, LORD Corporation

Unmatched **Business Environment**

North Carolina is one of the **most promising business regions in the U.S.**, and... We look forward to **continued collaboration and investment in the region** for years to come.

John Gaunt,
Vice President, HCL Technologies

#1
Best State for Business
- Forbes (2017)

#1
Top Competitive States
- Site Selection (Prosperity Cup, 2017)

#2
Top U.S. Business Climate
- Site Selection (2017)

#4
Lowest State & Local Tax Burden
- Ernst & Young (2017)

Highly Skilled Workforce

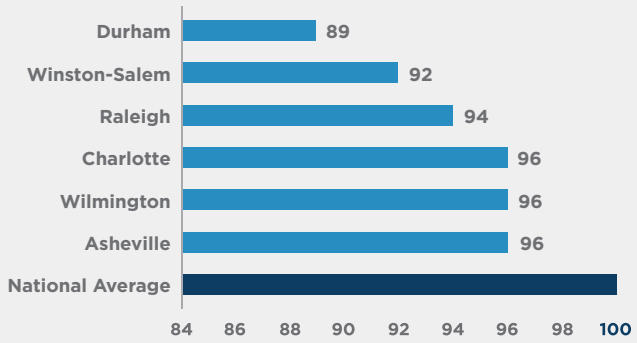
North Carolina offers one of the nation's most renowned education systems, supplying companies a pipeline of skilled workers.

- **53 colleges and universities**, including three Tier 1 research universities
- Nationally recognized, **58-campus community college system**
- **464,000+ manufacturing employees,** largest labor pool in region
- **142,000+ postsecondary degrees and certificates** awarded in 2017

Source: IPEDS, QCEW, LAUS

Low Cost of Living

The cost of living in many of North Carolina's metropolitan areas is **well below the national average.**



Index (100 = National Average)

Source: Council for Community and Economic Research

Low Construction Costs

Average construction costs in North Carolina's metropolitan areas are **up to 16% below the national average.**

Source: RSMeans

Low Electricity Costs

North Carolina's industrial electricity costs are **7% below the national average.**

Source: U.S. Energy Information Administration

Taxes

Corporate Income Tax

3.0%

North Carolina has the lowest rate among the 44 states which levy this tax. The rate will be reduced to 2.5% in 2019. NC has a single sales factor apportionment.

Personal Income Tax

5.49%

Standard deduction is $8,750 for single tax payers, $17,500 for married couples, and $14,000 for head of households. In 2019, the standard deductions will increase and the rate will be reduced to 5.25%.

Sales & Use Tax

6.75% - 7.50%

The statewide sales tax is 4.75%. Counties levy an additional amount. Sales tax exemptions are available for manufacturers, large fulfillment centers, and data centers.

Property Tax

The state does not levy property tax.

There is no state-level property tax. Real and personal property taxes vary by local government. Property tax exemptions are available for inventories and recycling.

Incentives

Targeted, performance-based incentive programs complement North Carolina's competitive cost structure. The Economic Development Partnership of North Carolina (EDPNC) helps companies navigate the incentive process.

Job Development Investment Grant (JDIG)

JDIG is a performance-based, discretionary incentive program that provides cash grants to new and expanding businesses to help offset the cost of locating or expanding a business facility in North Carolina. Companies can qualify for a JDIG based on the project location, number of jobs, and average wage. The grant amount is based on a percentage of the personal income tax withholdings associated with the new jobs. A company can use JDIG funds for any purpose.

One North Carolina Fund (One NC)

One NC is a discretionary cash-grant program that allows the Governor to respond quickly to competitive job-creation projects. The local government must provide an incentive to match the One NC funding. Awards are based on the number of jobs created, level of investment, location of the project, economic impact of the project, and the importance of the project to the state and region. Awards may be used in new or existing buildings for installation or purchase of equipment, structural repairs and/or renovations, construction and/or improvements to utility lines.

Public Infrastructure & Transportation Programs

North Carolina offers a number of different programs to fund public infrastructure development, including the Community Development Block Grant Economic Development Program, Utility Account, Rural Division's Economic Infrastructure Program, NCDOT's Rail Industrial Access Program, North Carolina Railroad Company's NCRR Invests program, and the NC Department of Commerce's Joint Economic Development Program with the NCDOT.

Building Reuse Programs

Building Reuse Programs
North Carolina offers two different programs that provide grants to renovate and upfit vacant industrial and commercial buildings including:

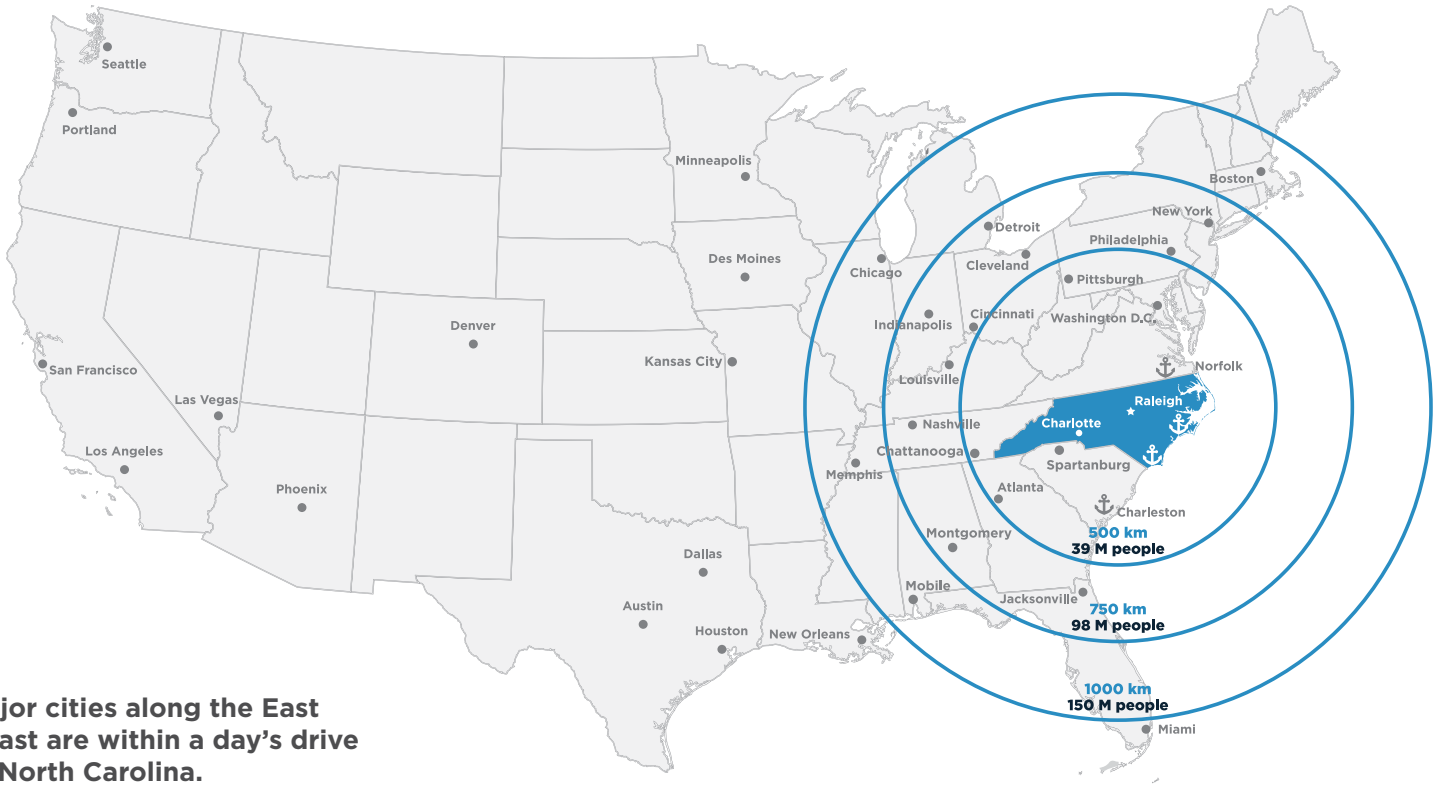
- Community Development Block Grant Building Reuse Program
- Rural Division's Building Reuse Program

Other Incentive Programs

- NCWorks Customized Training Program
- Foreign Trade Zones
- NC Biotechnology Center Economic Development Award
- Recycling Business Development Award Grants
- Golden LEAF Foundation Grants
- Building Demolition Programs

Market Access
& Infrastructure

North Carolina's robust transportation infrastructure enables companies to domestic and international markets. Ten airports offer commercial services, including four international airports that connect North Carolina to major cities in the U.S. and abroad. North Carolina also has the second largest state-owned highway system and major controlled-access arteries such as I-95 (running the length of the East Coast), I-85, and I-40 (running from N.C. to California). Two deepwater seaports and an integrated rail system ensure that North Carolina companies can reach connected to suppliers and customers.



Major cities along the East Coast are within a day's drive of North Carolina.

North Carolina was chosen for the **location**, for the **utility and transportation advantages**, and the state contains an **exceptional workforce.**

Gerardo Muraira,
Operations Director, Nutec Group

Road

Second-largest state-owned highway system

North Carolina's roads stretch for more than 90,000 miles (145,000 km). The state's central East Coast location offers easy access to the country's most important transportation corridors.

Major controlled-access arteries include:

- I-95, running the length of the East Coast
- I-40, linking North Carolina to California
- I-85, stretching through the manufacturing heart of the Southeast

Airport

The world's sixth-busiest airport is located in Charlotte and RDU is the best connected mid-sized airport.

Ten airports offer commercial services, including four international airports that provide easy access to global markets. International airports include:

- Charlotte-Douglas International Airport (CLT)
- Raleigh-Durham International Airport (RDU)
- Wilmington International Airport (ILM)
- Piedmont Triad International Airport (GSO)

Ports

Two deepwater seaports in-state

North Carolina's ports offer fast turn times and capacity for ships carrying up to 10,000 TEUs. Inland terminals in Charlotte and Greensboro provide easy market access. North Carolina companies also enjoy easy access to the Port of Norfolk and the Port of Charleston.

Port of Wilmington

- General cargo and bulk handling facility
- Inside harbor channel depth of 42 feet M.L.L.W.
- 101,000 square-foot on-terminal cold storage facility

Port of Morehead City

- Container and general cargo operations
- Inside-harbor channel depth of 45 feet M.L.L.W.

Rail

Largest consolidated rail system in the country

North Carolina has more than 3,200 miles (5,100km) of track. Two class 1 carriers, CSX Transportation (CSX) and Norfolk Southern (NS), offer direct service to North American markets and intermodal container service to major East Coast ports.

- Intermodal terminals in Charlotte (NS, CSX) and Greensboro (NS).
- Major rail yards in Lexington (NS) and Hamlet (CSX)
- Direct intermodal service from Port of Wilmington to CSX terminal in Charlotte
- 19 regional railroads, including four that connect to both NS and CSX railroads

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