

Texas Economic Development Commission

QUARTERLY NEWS

Volume 1

February, 1985

Number 1

General Motors Saturn Plant Looks at Texas

Texas is one of several states competing for the location of General Motors' Saturn plant. Formed in January, this wholly-owned subsidiary represents an effort to combat the rising sales of foreign imports. By combining advanced technology with trimmer management, the company hopes to speed up the development of new products and cut costs sharply. GM eventually plans to implement the successful management and production techniques throughout the company.

As reported in a recent *New York Times* article, some of the innovations include scaling down the number of hours required to produce the vehicle, revolutionizing production techniques, manufacturing many of the parts in-house, and effectively implementing the use of robots when possible to maximize productivity.

Labor relations will be different in the new plant. Work rules which sometimes make current production costly and rigid may be changed. Profit sharing plans possibly will be tied specifically to the success of the project, rather than to the performance of the entire General Motors Corpora-

tion. There is also the possibility of having pay scales that increase as workers develop additional skills.

Changes in the distribution of the new automobiles are expected. As a new corporation, Saturn will have the opportunity to choose its own dealers and develop a franchise agreement that may differ from those now used. Heavy emphasis will be placed on efficient service and customer satisfaction after the sale.

Predictions are that the facility will create 6,000 new jobs and will generate more than twice that number of positions indirectly.

Major Japanese Bank Opens Dallas Branch

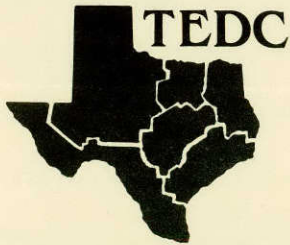
In a landmark move, the Long-Term Credit Bank of Japan, Ltd. announced in November the establishment of an international branch bank in Dallas. The LTCB is the first bank of its kind to open such a branch in that city.

"Hopefully this is the start of good and growing relations between Japan and Texas, with hopes of other Japanese banks coming here to follow our example," said Shuichi Takenaka, chief representative for the LTCB.

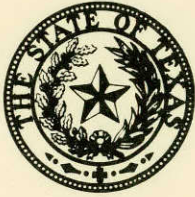
Officials noted two factors which were instrumental in their decision to open the facility. These are the great potential for growth that exists in Texas and the complementary need to balance the U.S. trade deficit with Japan through increased exports. Because the LTCB has close and long-standing relationships with major Japanese industries that are planning to expand their business operations in the U.S., it is expected that these expansions will help reduce the imbalance of trade between Japan and the U.S.



Ribbon cutting in Dallas (pictured left to right) Commissioner Dan Petty, Mr. Takenake, Forrest Smith, Worth Blake, John Johnson, and Mr. Kishi.



QUARTERLY NEWS



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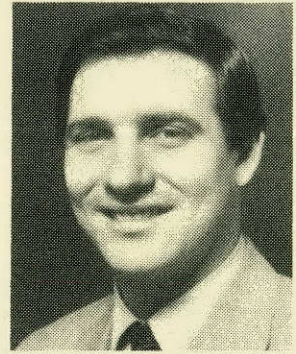
Laura Miller Koenig

LAYOUT

Shirley A. Blanton

The Official Publication of the Texas Economic Development Commission. Editorial contributions are welcome and should be addressed to Editor, P.O. Box 12728, Capitol Station, Austin, Texas 78711.

INSIDE TEDC



As part of our on-going efforts at TEDC to be as competitive as we possibly can, we are carefully scrutinizing a number of business management practices that we feel warrant special attention. The first of these is the "matrix management approach" to doing business – a unique "participative management" style pioneered by certain aerospace companies in the late 1960's. As part of the restructuring of the Commission, we have put in place a matrix management approach to all our economic development projects and programs.

Matrix management is an approach whereby position is less important than expertise. People work together in teams and a real premium is put on negotiation skills and salesmanship. Power is infused throughout the organization and there is a great deal of "integrative" action (communication and assistance between departments) as contrasted to "segmentalist" activity (turf-consciousness and information withholding).

This is a vastly oversimplified explanation. In order to get a better feel for this important school of management, we are currently reading Professor Rosabeth Moss Kanter's new book, *The Change Masters* at the Commission and discussing it in a group. Professor Kanter is a professor of management at the School of Management at Yale University. I heartily recommend the book – it is fascinating.

We are using the Regional Business Development Center as the "nerve-center" of our new matrix management approach at TEDC.

In this way, the Regional Business Development Coordinator serves as the "team leader" on a particular project and pulls together a team from all over the agency, without regard to the hierarchical position of the individual. After the opportunity has been met, the team breaks down and goes on to the next project.

Professor Kanter says, "The organizations now emerging as successful will be, above all, flexible; they will need to be able to bring particular resources together quickly, on the basis of short-term recognition of new requirements and the necessary capacities to deal with them."

At TEDC we think extraordinary times demand new approaches. Matrix management is one way we are meeting the challenge.

Harden H. Wiedemann

Gulf States Compete For Naval Base

The establishment of a new Navy homeport for the U.S.S. Wisconsin Battleship Surface Action Group along the Gulf Coast has generated interest from six Texas ports. The facility is scheduled to go on-line in 1990 or 1991.

The homeport concept was pioneered during the Carter administration to deploy the U.S. Navy's fighting ships so as to be less vulnerable to enemy attack at a central location.

The goal of the homeport program, which began to take shape in 1981, was to establish at least three surface action groups (SAG). One surface action group each was to be established on the Pacific Coast, the Atlantic Coast, and the Gulf Coast. Staten Island, New York has been selected as the Atlantic Coast homeport, but the project is currently on hold pending Congressional approval for the necessary funds. Everett,

Washington, located outside of Seattle, has been selected as the Pacific Coast homeport.

The nucleus of each group will be a vintage Navy battleship which will be reactivated and modernized. The battleship assigned to the Gulf Coast homeport will be the U.S.S. Wisconsin now "in mothballs" at the Philadelphia Navy Yard. Three frigates, a destroyer and a cruiser will also be part of the Gulf Coast Surface Action Group.

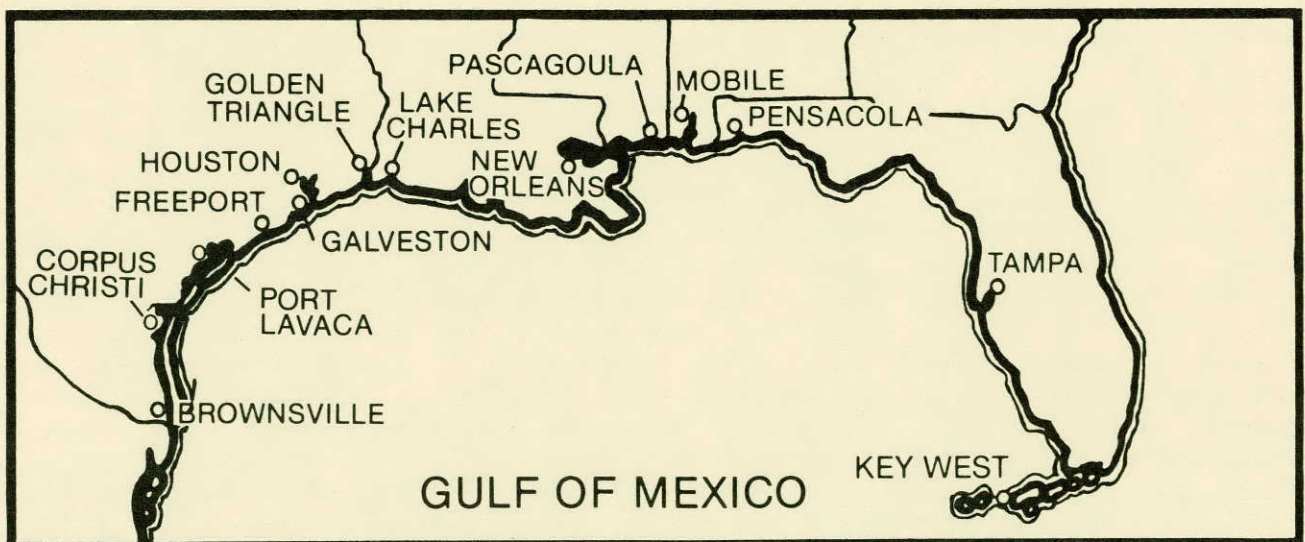
The Navy estimates that the payroll will be at least \$60 million annually, and that the project will require an initial \$100 million in construction costs. The base would also bring 200 commissioned officers, 3,500 enlisted personnel, and could generate up to 3,000 civilian jobs.

This influx of new residents to an area would result in a tremendous boost to any local economy. To ensure that the interested

areas are able to handle this growth, the Navy appointed a task force headed by retired Navy Captain James Ridge to visit each of the areas that had expressed an interest in the project. These initial visits were held in late 1984.

Each port city was successful in marshalling local forces to prepare for these visits. Local officials and businesses formed cooperative teams to welcome the site selection group and to showcase each area's assets.

This community-wide support was also evident as cities prepared proposals for the Navy. A substantial amount of time and creative effort resulted in a myriad of commitments from each area. In addition to these, many state agencies have offered commitments based upon the individual needs of the area. Governor Mark White and many state and Congressional leaders strongly support homeporting in ("Naval Base" continued on page 6)



General Motors' Bold New Gamble: SATURN

The projected 6,000 jobs, with an estimated 15,000 to 20,000 secondary jobs, has touched off a heated bidding war among the industrialized states of the union to land General Motors' Saturn plant. Since the January 9 announcement of this corporate spinoff, GM officials in Detroit have been deluged with telephone calls, mail inquiries and frequent visits from interested leaders.

To assist in handling the massive number of inquiries in Texas, Argonaut Realty Company, GM's real estate subsidiary handling Saturn's site selection, asked the Texas Economic Development Commission for help in collecting and packaging possible Texas sites. TEDC, in cooperation with Argonaut Realty, devised a questionnaire outlining the necessary specifications for the automobile plant and mailed it to selected cities and to other interested communities.

Local economic developers heartily endorsed TEDC's method of identifying cities that could service the Saturn plant's needs. "No sense in wasting GM's time with cities that can't serve them," commented Web Cox, an industrial consultant for the Greenville Chamber of Commerce.

Response to the survey has been generous. TEDC staff have been working to evaluate the survey results and to prepare a summary for GM.

A final decision on the location is expected in late spring or early summer.

"Regardless of the outcome of the site selection, communities in Texas have shown that they have the desire to diversify the econ-

omy," said Harden Wiedemann. "Their determined efforts to pursue such an economic development plum are concrete proof that local leaders are serious about bringing in new business. Working together, we can strengthen the Texas economy."

Commission Revitalizes To Meet Heightened Competition

In an effort to better address the needs of Texas communities, the TEDC programs and staff have recently been restructured. This shift in focus will address the different economic issues important to both urban and rural areas. "Changes in the world economy dictate that we reevaluate our way of doing business at the Commission," said Dan Petty. "We can no longer rely on a few industries to carry the burden of the state's economy."

To ensure that this diversification is carried out as rapidly as possible, TEDC has established the Regional Business Development Center. This center is the focal point of the agency. It divides the state into six economic regions as outlined by Comptroller Bob Bullock. Each region has a designated trained specialist. They are: Dan Graham - Plains, Phil Brewer - East Texas, Jack Shultz - Gulf Coast, and Joyce Leidy - Metroplex/Central Corridor. Efforts are underway to fill the Border position.

Using the most current economic development theory and techniques, these regional experts

can identify the resources and the needs unique to the area. They are then able to target specific businesses which would be best suited to the available resources. With this information they can effectively seek and match compatible businesses, promoting economic development in numerous ways.

In addition to these targeted industry efforts, these specialists can offer suggestions on community improvement. If necessary, they can form a team of community and economic development specialists from TEDC and other agencies who will assist the community in meeting its goals or in training its labor force.

Several programs at the agency have been altered to enhance the Commission's effectiveness. Financial assistance programs which were formerly dispersed throughout the agency are now located in a single department, the Finance Department. These activities include the Industrial Revenue Bond (IRB) program, the Texas Small Business Industrial Development Corporation (TSBIDC) program and the Rural Loan Fund. The department also houses the Governor's Small Business Revitalization (SBR) program which assists existing small, healthy businesses with their fixed-asset financing needs.

The Market Development Department houses the International Trade programs, the Small and Minority Business programs, and the Advanced Technology programs. This department is primarily responsible for identifying and developing markets for Texas products and assisting Texas businesses in accessing those markets.

The staff of the Community Development Department has been expanded to handle the increased demand for community assistance in rural and non-metropolitan areas.

("Revitalizes" continued on page 7)

San Antonio Nets Big Fish: SEAWORLD

On January 9, Mayor Henry Cisneros and Governor Mark White, along with 150 political leaders and dignitaries gathered in San Antonio with William Jovanovich, chairman of Harcourt Brace Jovanovich (HBJ), to announce development plans for a Sea World of Texas. Negotiations between San Antonio officials and Harcourt Brace Jovanovich, the parent company of Sea World, have been underway for several months. The proposed site of the project is 500 acres in eastern Bexar County south of Interstate 10. The project will be similar other Sea World marine parks in San Diego, Orlando, and Cleveland.

Sea World of Texas is seen as an economic bonanza for San Antonio and Central Texas. The \$75 million investment is expected to attract three million visitors annually who will bring an additional \$134 million into the San Antonio economy. The marine park will provide 1500 jobs for San Antonio residents, while additional thousands of indirect jobs will be created in the service industries to provide for the needs of the visitors. Thousands of other jobs will be created in the construction and building trades industries as new hotels, restaurants, shopping centers, and residences are constructed.

Sea World of Texas will be more than an amusement park. The marine park will be a working oceanarium with landscaped areas of lagoons, ponds, tide pools, theatres, and aquariums. The park will also feature shows with marine species including dolphins, whales, otters, sea lions,

sharks, and manatee.

Construction of the project will begin in March of this year and should be completed by December, 1986. The project will be financed by \$10 million in revenue bonds. The City of San Antonio will receive four percent of the annual gross receipts from the marine park to help retire the bonds.

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The marine park is the second major investment by HBJ in San Antonio. In October of last year, HBJ agreed to invest \$11.5 million in an abandoned warehouse on San Antonio's West Side. This 141,000 square foot facility, when renovated and expanded, will house HBJ textbooks.

International Trade Expert Joins Commission

In an effort to assist Texas in establishing a strong export promotion and reverse investment program, the U.S. and Foreign Commercial Service (U.S. and F.C.S.) has opened an office housed with TEDC in Austin. Henry McCown, Jr., a senior member of the Service, will head the Austin office.

The U.S. and Foreign Commercial Service is the only federal government entity with both a domestic and overseas field staff dedicated solely to promoting international trade. Its primary objective is to identify and assist business firms whose goods and services have high export potential in foreign markets. The U.S. and F.C.S. maintains offices in 70 industrial and financial centers across the United States. These offices are linked to U.S. and F.C.S. offices in 124 American embassies and consulates in 63 foreign countries. Through this network American exporters can reach 95 percent of the world market.

Harden Wiedemann stated "We are fortunate to have someone of Mr. McCown's caliber associated with the Commission. The expertise he brings to the Commission will be invaluable in our joint efforts to provide export promotion assistance to small and medium-sized companies engaged in selling abroad."

Mr. McCown will assist firms in market identification and research, securing overseas representation, export control requirements, and license or joint venture opportunities.



Henry McCown, Jr., above, will relocate with TEDC.

Record Attendance Marks Latest TIPS

Representatives from more than 43 cities joined with 17 Main Street Project managers to attend the Texas Industrial Planning Seminar (TIPS) held February 7-8 in Austin. This gathering represented the largest group of community development planners to attend a TIPS program in TEDC's history.

"We were overwhelmed by the tremendous response. We had leaders from smaller communities as well as larger metropolitan areas," said Chloe Johnson, manager of the Community Development Department.

The TIPS program emphasizes the importance of community involvement, analysis and goal-setting in the economic development process. A variety of instructional sessions enable community leaders to become experts on their areas. Communities are taught how to identify community leaders and how to train and organize economic development teams from this group. In later sessions speakers discuss specific ways to improve the local quality of life, methods of identifying and marketing sites, and techniques for handling prospects. Participants are also given an overview of available sources of data which can be used to produce a brochure, as well as an overview of public and private funds which a business may access. A TIPS program concludes with a brainstorming session which allows communities to discuss their unique problems with a panel of experts and to hear suggestions and observations from other area representatives in attendance.

The department has recently lengthened the program to two days. "By expanding the length

of these seminars we can offer more material and can be of greater assistance to communities in their economic development efforts," said Johnson.

Communities interested in attending a TIPS must first undergo an orientation clinic to be conducted by Regional Business Development Center staff.

Additional details are available from the Community Development Department at TEDC. Contact Chloe Johnson, Leeta Murphy or Marilyn McCullough at (512) 472-5059.

TEDC Helps Small Businesses Thrive

More than 150 small and minority-owned business representatives attended the January 17 procurement seminar co-sponsored by the Texas Economic Development Commission, the Small Business Administration, the Austin Minority Economic Development Commission, Bergstrom Air Force Base, and the Texas Department of Agriculture. Although these seminars are held periodically around the state, this is the first time these agencies have pooled their resources to produce such a seminar in Austin.

Speakers at these workshops identify the products or services needed by the state, the federal government and the private sector, and outline the procedures for a small or minority-owned business to follow in selling their goods or services to these entities. As part of this process, a firm may register to be included in the *Texas Small Business Directory*, TEDC's computer-generated listing of small and minority-owned firms. This directory is available to state and federal agencies and to the private sector interested in doing business

with these firms. Clients at these seminars may also receive technical assistance such as hands-on experience in the bidding process.

"Following this seminar we expect a substantial number of contracts to be identified with the public and private sectors," said Larry Lucero, Manager of the Market Development Department. "We will continue to provide technical assistance to this vital sector of our economy at each step in the procurement process."



(*"Naval Base" continued from page 3*)

Texas also. They continuously have explored ways to augment local efforts to attract this facility.

The request for proposal (RFP), issued in August, 1984, stated that the Navy's proposed deadline was January 5, 1985. Since that time, the Navy site selection team has been analyzing the individual proposals along with the findings from their visits. On February 21, the Navy announced the finalists for the homeport. These are Corpus Christi, Houston-Galveston, Lake Charles, LA, Pascagoula, MS, Mobile, AL, Pensacola, FL and Key West, FL.

Using the proposals of these finalists as a starting point, the Navy will work closely with port representatives to refine cost estimates and to explore ways of reducing the Navy's net cost at each site. In addition to the requirements stated in the RFP, the Navy has indicated its concern for limiting start-up costs and long-term operating costs. Quality of life and its effect on family contentment, crew morale and reenlistments are also of great concern. The depth and sincerity of community receptivity is another very important consideration. Selection of the site is expected to be late spring.

("Revitalizes" continued from page 4)

These areas sometimes lack either the necessary funds or staff to successfully promote themselves. This department will coordinate various economic development programs with local developers and the state's allies network to maximize local efforts.

Assistance in locating a site or in determining necessary permits and licenses is available from the Business Services Department. This section also handles the Industrial Start-Up Training program which helps to recruit and train needed production workers. TEDC acts as coordinator and liaison between new or expanding industry and the Texas Education Agency to implement this program.

Several related agency functions have been combined to form the Public Information Services Department. This department responds to general inquiries for information, oversees the production of agency publications, operates the print shop, and handles the advertising and media relations.

The Research Department handles long-range research projects. Following the collection of primary data and the review of secondary information sources, the department analyzes and interprets the material and produces written reports. These reports are available to various economic entities to assist in their planning.

The Data Processing Department serves internal users with interactive access to information and provides users outside the agency with a variety of computerized reports. The department maintains a large socioeconomic data base which contains statistics on more than 500 Texas communities.

This overview of the agency provides an indication of the Commission's determination to better serve the needs of the state and its citizens.

Texas Wrestles With New Federal Cap On IDB'S

The Deficit Reduction Act of 1984, enacted in the summer of 1984, authorized additional restrictions on the use of industrial development bonds. A major limitation was the imposition of a state-by-state cap on the amount of tax-exempt private activity bonds (PABs) which could be issued during a given calendar year. At \$150 per capita, Texas' total for 1984 was approximately \$2.292 billion. These funds were to be allocated to PABs which include certain exempt-activity bonds, small issue IDBs and student loan bonds.

Any monies not dispersed in a given year were to be transferred to a carryforward fund. These funds are available for specific exempt-activity bonds or student loan bonds on a priority basis. The Act also authorized the governor of each state to formulate an allocation system which would remain in effect until the state's Legislature imposed a permanent system.

In November, 1984, the Joint Interim Committee on Industrial Development Bonds chaired by Rep. Bill Messer began to draft legislation to create a permanent allocation system. The Committee met a final time on January 22 to adopt recommendations. These recommendations were introduced as HB 690 on February 5, 1985 by Rep. Messer, who is sponsoring the bill in the House. Sen. Bob McFarland will sponsor the legislation in the Senate.

House Bill 690 designates TEDC as the tracking agency to handle allocations and carryforward requests.

Under the proposed system, allocations would be granted on a first come-first served basis for the first nine months of the year. At the end of that time period, if 50 percent or more of the state's ceiling has been allocated to "large issues," then these large issues would only be eligible to reserve half of the remaining amount. A "large" issue is defined in the bill as an issue of greater than \$20 million.

The proposed bill establishes December 14 as the last day to apply for a reservation, and December 23 as the last day to issue and deliver the bonds.

The process for requesting an allocation is a continuance of Executive Order MW27A. Similar time frames are imposed along with penalties for non-compliance.

The proposed legislation also outlines procedures for the carryforward. It stipulates that by December 15 any unreserved funds in the state's ceiling may be designated as carryforward for specific projects.

There are other key points in the proposed legislation. If an application for a reservation causes 25 percent or more of the state's limit to be reserved for a single user or user's related persons, then the application may not be considered for a reservation before December 1. Another item grants TEDC the authority to collect fees for reservation or carryforward designations. These fees which are set in the General Appropriations Act would be deposited in the general revenue fund.



1836-1986

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NEWS BRIEFS

TEDC's quarterly Commission meeting was held Tuesday, February 26 at 10:00 a.m. in Room 221 of the Anson Jones State Office Building in Austin.



The Mexican Secretariat of Commerce and Industrial Development has released figures which estimate that direct foreign investment in Mexico will top \$2.53 billion dollars in 1984. This brings total foreign investment in Mexico to \$14 billion. Investment by the United States is 66% of the \$14 billion total.



Luis Morales of TEDC's Mexico City Office is coordinating a visit by the Governor of Yucatan to Houston.

The purpose of Governor Victor Cervera Pacheco's trip, scheduled for May, is to promote trade and the establishment of in-bond (maquiladora) industries in his state.

TIDC members will soon be receiving their nomination packets for the 1985 Volunteer Industrial Developer of the Year (VIDY). Included in the packets will be a score sheet so that members can see the judging system criteria. VIDY is the highest award for non-professional economic developers and is an opportunity to give recognition to the community's leading economic development volunteer.



According to a recent study by the National Conference of State Legislatures, state taxes in Texas remain among the lowest in the nation. Texans paid only \$52.55 per \$1,000 of personal income in state taxes in 1984. Residents of only two other states paid less of their personal income for state taxes.



The Basic Industrial Development Course (BIDC) will be held at Texas A&M University on March 17-22, 1985. The 26 available slots have been filled. Class members will learn basic economic development techniques from several instructors over the five-day course.

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TEDC's newsletter has taken on a new name and new look. This edition, volume one, number one, also marks a change in the focus. In addition to the agency activities, this publication will include articles about important economic development activities which directly or indirectly impact business and the economy.

We encourage your comments and suggestions. We hope that you will find the newsletter informative and interesting.

