

The Tex-Mex Effect

Four of the top ten deals of the year go to bordering competitors.

by **RON STARNER**

Hungering for some good Tex-Mex cuisine? Well, you're not alone. Some of the world's largest companies soon will be buying a lot of food in Texas and Mexico, which together captured four of Site Selection's Top Ten Deals of 2003.

From Texas Instruments and Toyota in Texas to Ford and Volkswagen in Mexico, the Tex-Mex Corridor of North America rang up some of the biggest corporate prizes of the past year – and it's easy to see why. Low corporate tax rates, plenty of available labor, a pro-business climate and good weather year-round make Texas and Mexico two favorite locations for large capital investment projects.

In evaluating the top economic development projects of the year, the editors of Site Selection took into account total capital investment; number of jobs created; regional economic impact; value of jobs created; creativity of the deal; role of incentives in the deal; competition for the project to locate elsewhere; and speed to market.

The following is a look at each of the top deals, listed in alphabetical order:

**Boeing Co.
 Everett, Washington
 \$900 million; 1,200 jobs**

The most publicized corporate site search of 2003 ended on Dec. 16 when The Boeing Co. selected its own backyard for its US\$900-million 7E7 commercial aircraft assembly plant. The 1,200-job prize was awarded to Everett, Wash., a suburb of Boeing's longstanding hometown Seattle.

Sweetening the pot was the granddaddy of all incentive packages: a \$3.2-billion aerospace bundle approved by the Washington legislature in May 2003. After losing the corporate headquarters of Boeing to Chicago in 2001, lawmakers in the Pacific Northwest weren't about to let the crown jewel of aerospace manufacturing leave the region.

Among the factors considered by Boeing and site selection consultants McCallum Sweeney were



Texas Instruments will gradually invest more than \$3 billion in a new 300-mm. silicon wafer fabrication facility north of Dallas – part of a global wave of new investment and reinvestment in the sector.

proximity to a 24-hour airport (Snohomish County-Paine Field); available infrastructure to accommodate supplier co-location; training partnership opportunities; and community support.

Boeing's 1,200 new production jobs are expected to indirectly create another 3,400 support jobs by 2015 and up to 12,700 additional jobs for the state. Washington expects to garner an extra \$65 million in new tax revenue every year from these jobs.

Ford Motor Co.
Hermosillo, Mexico
\$1 billion; 2,000 jobs

The southward movement of automotive manufacturing jobs in North America continued in a big way in December when Ford Motor Co. announced a \$1-billion, 2,000-job expansion at its plant in Hermosillo, Mexico.

The northwestern Mexico factory, which first opened in 1986, will be the first Ford plant to build the new Futura midsize sedan. Ford is expected to build as many as 800,000 vehicles a year off the new Futura platform.

The expansion will revolutionize vehicle production in Mexico by incorporating a huge new supplier park and doubling the current work force at the plant. Ford will also install flexible manufacturing systems in Hermosillo so that the plant can change products and options far more quickly to meet market demand.

Ford Powertrain Operations Vice President Dave Szczupak called the conversion in Mexico "the most dramatic change in manufacturing since the introduction of the assembly line by Henry Ford."

Ford Motor Co.
Wayne, Michigan
\$583 million; 7,029 jobs

The Michigan Economic Development Corp. scored a major coup in 2003 when it secured the \$583-million expansion of the existing Ford plant in Wayne, saving 7,029 jobs at the plant and 11,426 total jobs at related suppliers and businesses.

Since the company had the option of consolidating operations at existing Ford plants in other states and countries, negotiations in Michigan focused on making the consolidation of two existing plants in Wayne a cost-effective alternative. The fact that Ford was considering locations outside Michigan triggered provisions of the Michigan Economic Growth Authority program that allows for employment tax credits to close the business-cost gap between Michigan and another location.

Michigan's incentives package for Ford totaled \$106.8 million, with \$48 million coming in the form of single business tax credits and another \$48 million coming from property tax abatements.

The preserved economic impact for the Wolverine State is enormous, as the plant in Wayne has a total annual payroll of \$134 million.

Pfizer
New York, New York
\$1 billion; 2,000 jobs

Less than one month after Pfizer completed its \$57-billion takeover of rival Pharmacia, Pfizer announced a big deal for the Big Apple: a \$1-billion capital investment in New York City that will add 2,000 jobs.

About \$46.7 million in state and local incentives lured the global drug maker to invest in New York,

where Pfizer workers earn an average annual wage of \$87,000. Pivotal to incentive negotiations were Empire State Development, New York City Economic Development Corp. and Mintax, a consulting firm.

The final package enables Pfizer to purchase 634,000 sq. ft. (58,898 sq. m.) of space near the company's Manhattan headquarters. The firm will also invest in its other properties in New York City and retain or increase its work force at all corporate locations throughout the state.

Kathleen Norat of Mintax says the project was swayed by more than incentives, however. She says the inherent advantages of doing business in New York were integral to the Big Apple closing the deal.

Philip Morris USA
Richmond, Virginia
\$300 million; 450 jobs

The relocation of Philip Morris USA's headquarters from New York City to Virginia's capital city was the result of a partnership between the Virginia Economic Development Partnership, Greater Richmond Partnership, University of Richmond, local chamber of commerce, state and federal officials and many others.

The company announced on March 4, 2003, that it would move its corporate headquarters to the former Reynolds Metals corporate complex on West Broad Street in Henrico County, Va. Annual payroll at the new headquarters location is estimated to be \$83 million.

The Richmond metro area will also benefit from 450 new jobs and a capital infusion of \$300 million into a manufacturing facility. The city beat out New York for the headquarters and Cabarras, N.C., for the manufacturing plant.

Key incentives were \$3 million from the Virginia Governor's Opportunity Fund and \$25 million in a performance-based grant from the Virginia Investment Partnership program.

Scripps Research Institute
Palm Beach County, Florida
\$147 million; 2,800 jobs

The most coveted biotech project of 2003 landed in sunny south Florida on Oct. 9 when Gov. Jeb Bush announced that the Scripps Research Institute had chosen Palm Beach County as the site of its second major research facility.

Officials from both Enterprise Florida and the Business Development Board of Palm Beach County believe that the \$147-million, 2,800-job project will one day make Southeast Florida the East Coast biotech counterpart of San Diego.

The anticipated economic windfall for the Sunshine State is huge: 6,500 new jobs over 15 years; \$1.6 billion in additional income for Florida; a \$3.2-billion boost in the state's gross domestic product; and 40,000 additional jobs from industry clustering.

Florida appropriated \$310 million in total incentives for the project, while Palm Beach County approved \$200 million for land acquisition, infrastructure and design/construction of the research facility.

Texas Instruments
Richardson, Texas
\$3 billion; 1,000 jobs

If everything really is bigger in Texas, then there was no corporate investment any larger in 2003 than Texas Instruments' \$3-billion semiconductor fabrication plant in the Dallas suburb of Richardson (see the

[May 2004 Cover Story](#)).

While other global chip makers open new fabs in China, TI is betting on the human capital in its home state of Texas. Bagging \$135 million in state incentives, TI will employ as many as 1,000 workers at peak capacity of the new 300-millimeter silicon wafer factory just north of Dallas.

Most of the state money will go toward improving the ability of University of Texas at Dallas to train and produce future engineering and computer science graduates. The school was founded by TI executives in 1961.

Greater Dallas Chamber President Jan Hart Black called the state's incentive package "a wise investment of state funds and a coup for Texas and the Dallas metro area."

Toyota**San Antonio, Texas****\$800 million; 2,000 jobs**

Whoever said that America is losing the battle of global jobs outsourcing apparently didn't see the recent reports indicating that America led the world in imported jobs in 2003.

No better example for this trend exists than the \$800-million, 2,000-worker Toyota truck plant coming to San Antonio. The Japanese automaker's investment in Texas solidifies the U.S. South's position as the preferred location of international automotive manufacturing plants.

The Texas operation is part of Toyota's aggressive push into the U.S. full-size pickup market. The San Antonio plant will annually build 150,000 full-size Tundra pickups when production begins in 2006.

The San Antonio Economic Development Foundation recruited Toyota for 10 years. To help close the deal, the foundation assembled a \$400-million incentive package that included the purchase of a 2,600-acre (1,053-hectare) site that was sold to the City of San Antonio and deeded to Toyota.

Volkswagen**Puebla, Mexico****\$2 billion; 1,500 jobs**

German automaker Volkswagen continued its transformation of the Puebla, Mexico, economy by announcing in early 2003 that it would spend \$2 billion and add 1,500 workers at the VW plant in Puebla.

Labor costs and the 2000 European Union-Mexico Free Trade Agreement helped cement the deal. Mexican autoworkers on average make about \$3 an hour in wages and benefits. The comparable figure for U.S. autoworkers is \$43 an hour. The trade pact enables VW to import Mexican-made vehicles duty-free into the EU.

VW will spend \$180 million of its investment on adding the new Bora line of automobiles. The Bora will begin production in 2005, with the Puebla plant scheduled to make 100,000 of the vehicles that year.

Once a sleepy village, Puebla is now a thriving, bustling metro area. The city's growth was jumpstarted by the arrival of VW's 16,000-employee plant in 1967.

HONORABLE MENTION DEALS OF 2003**The Best of the Rest**

COMPANY	LOCATION	INVESTMENT
Boehringer Ingelheim	Petersburg, Va.	\$260 million
Magna Cosma	Bowling Green, Ky.	\$213 million
JetBlue	Orlando, Fla.	\$160 million
Mack Trucks	Hagerstown, Md.	\$150 million
New York Life	Forsyth County, Ga.	\$140 million
Haverhill	Haverhill, Ohio	\$135 million
Intel	Costa Rica	\$110 million
Fuji Photo	Greenwood, S.C.	\$100 million
Federal Express	Boone, Ky./Hutchins, Texas	3,700 jobs
GEICO	Amherst, N.Y.	2,500 jobs

Source: Conway Data New Plant Database

Wells Fargo
Des Moines, Iowa
\$250 million; 2,000 jobs

One of the largest corporate investment projects in the history of Iowa was announced in 2003 when the Wells Fargo Home & Consumer Finance Group committed to spending \$250 million and adding 2,000 jobs in West Des Moines. The expansion will create an annual local payroll of \$64 million.

The project benefited from a \$10-million grant from the Iowa Values Fund; \$10 million to \$12 million in training grants; and about \$23 million in transportation infrastructure improvements from the City of West Des Moines and the Iowa Department of Transportation.

Key players in the deal were the Greater Des Moines Partnership, Iowa Economic Development Department and the Iowa DOT.

The 900,000-sq.-ft. (83,610-sq.-m.) complex in Polk County, Iowa, will process mortgage loans and represents one of the largest office expansions in Iowa history. The company's home equity division added 400 jobs in the same city in January 2002. [SITE](#)



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