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MR. STEPHENSON: I hope to give all of you something to take back to your respective development areas. I also want to second Mr. Jennings' remarks about the aura of complacency which is all too noticeable among industrial development agencies. It might be time for these agencies to reexamine, in an optimistic light, the good ideas and techniques that have allowed them to stay in business successfully for so many years. Perhaps some of the things I shall say will reawaken interests that are presently just below the surface.

In speaking of industrial development from a consultant's standpoint, I shall strive to emphasize and remind you of the roles that all parties must play in a successful industrial program. Any development project contains two parties -- the offerers and the seekers. Offerers are those offering development opportunities while seekers are those seeking development opportunities.

The phrase "industrial development," within the context of which I am speaking this morning, considers development as an increase in the worth of assets and industry as a facility to convert and distribute.

While preparing this talk, I had occasion to speak to many business people. Coincidental with earlier remarks this morning on honesty, many of those persons with whom I spoke also emphasized honesty. They said, further, that one of the outstanding characteristics of railroad industrial development groups was their ability to retain confidences. This is an attribute you can be proud of and one which seems to be shared with few other development groups except utility companies. I mention this because honesty and discretion are also important to the consultant, whether he be advising the offerer or the seeker.

Any approach to industrial development must first be consistent with the goals of each group. By this I mean that all parties involved for both the seeker and the offerer must set up the development program so it does not conflict or make impossible of achievement the long-range goals of each party. This principle is often abused when a highly colored or one-sided presentation of facts is made and, thus, misleads the offerer or seeker. The result can only be hard feelings and damage to the ultimate success of the development.


Secondly, the approach must pinpoint the essential success ingredients for each group. Unless these ingredients are clearly defined and made to merge with both interests, no successful program will ever result.

The role of the consultant is to guide either the offerer or the seeker into the proper approach and along the implementation path leading to proper fulfillment of the goals. As a side light, the consultant should supplement not supplant.

In my own practice I make a policy of advising clients that my services are most valuable when I work with them as an outside, objective observer offering direction and bringing my experience patterns to bear on their problems.

The duty of the consultant to the offerer is three-fold. He analyzes, he evaluates, he recommends, and then he provides the offerer with the tools needed for a successful development.

Offerers include railroads, utilities, local government groups, public or private syndicates, industrial development companies, associations, chambers of commerce, private investors, and once in a while a private industry which would like to market some excess land.



Usually the offerer is concerned with the local, state-wide, or regional aspects of the program. Therefore, the offerer must have a very clear picture of his specific geographic area; he must know intimately the specific and honest reasons why any seeker should be located in the development being offered.

An illustration of this type of analysis was given in a paper written several years ago by John Gibson when he was director of the Miami-Dade Chamber of Commerce. Mr. Gibson described an analysis he had made of the Miami area in which the industrial income circulated within the community was balanced with the industrial income derived by sales outside the community.

By means of this analysis, the offerer, in this case Dade County, was enabled to pinpoint those types of industry best suited for location in its geographic area. Here was a good example of how the offerer clearly understood what he had to offer.

The duties of the consultant to the offerer can be included within nine major areas:

- 1) To establish priority of motives. This means that the consultant discovers, analyzes, and evaluates what the offerer's motives are. They might be profit, community beauty, public health, more jobs, increased density, better community services, or perhaps a foot in the door so that some other program on a broader scale can be put under way.

A word here of the worst possible motive -- that of self-aggrandizement. Occasionally you encounter a situation where someone is merely attempting to build a small personal empire without regard to the benefits that must come to everyone involved. These one-sided programs should be avoided since they are generally doomed to failure before they start.

2) To prepare a community audit. Here the consultant assists in making an honest, objective list of the assets and liabilities of the community. The consultant's major value is that he can usually be totally objective about what is an asset or liability.

3) To establish economic bases.

4) To assist in selecting appropriate sites.

5) To establish desirable development patterns.

6) To set marketing approaches. I ran into an instance recently where a well thought-out campaign, costing tens of thousands of dollars, had been prepared with absolutely no thought by the offerer as to how he was going to approach his market. If you don't define your market, all efforts which have gone before will be wasted. For instance, there are more than 20,000 million dollar companies listed by Dun & Bradstreet. If you try to properly cover all these companies, you will exhaust your finances and wear your nerve ends raw. As an offerer, pinpoint your market and concentrate the money available on attracting specific types of development interests.

7) To advise on state and federal aids. Many programs of assistance are offered by the state and federal government. A consultant is expected to know something about all these aids and occasionally is called upon to assist in their use.

8) To set organizational patterns. At this point I should like to pause a second and say that, in my opinion, the railroads, generally, do not approach industrial development correctly from the organizational standpoint. All too often the industrial development group of a railroad is relegated to a back seat. It is a minor branch of someone else's department.

I believe there are no two areas in any railroad organization more closely related than the long-range planning efforts for the whole business and the industrial development effort. After all, your business is to move goods, materials, and people from one point to another and to make a profit doing it. Long-range planning and industrial development are the two elements that, hand-in-hand, can accomplish this.

9) To assist with negotiations. Many times the consultant can act for the seeker as an objective party in negotiations. This function is especially valuable where governmental parties are involved.

The role of the consultant relative to the seeker is somewhat different. When retained by the seeker, the consultant analyzes, screens, and recommends.

Seekers are usually private industry; private investors or developers; major units of government; utilities; and, once in a while, the railroads. A word of explanation about the latter -- sometimes property seekers who are railroad customers turn to the railroads for help and, in this case, the railroad becomes a seeker rather than an offerer.

The duties of the consultant to the seeker are:

- 1) To determine whether a development program is needed. The first thing a consultant must determine is whether, in his opinion, a development program is called for. It may be that the seeker could achieve his objectives by a reorganization or consolidation. If so, the competent consultant must make this known to his client.
- 2) If a development program is needed, to determine its nature and organization.
- 3) To select and apply the appropriate techniques required to complete the program successfully. For instance, the consultant might recommend improving and expanding the existing facility -- or decentralizing existing operations might be a more appropriate solution. Occasionally, an existing plant will require complete relocation and a new site will be needed to accommodate the shift.

- 4) To select a region, community, and site if required.
- 5) To advise the seeker on obtaining land, the preliminary design of the facility, the financing of the facility, and the transfer of the operation.

Obviously, all the duties, whether for the offerer or the seeker, might not be required in each and every program; nor is it possible for any one consultant to do all these things and do them well. However, the consultant, by virtue of his experience, can give guidance and direction; he can instruct and advise both the seeker and the offerer whom to call upon, and at what point in the program they can be most helpful.

Oftentimes we find the talent needed to pursue a client's program is contained within his own staff but has just never been recognized. Of course, in these cases we do not stay on the scene too long. Nevertheless, the conscientious and competent consultant must always work in his client's best interests.

Before leaving, I would like to provide you some specific techniques that are available and in increasingly greater use. These techniques are tools that I, as a consultant, use and that you, as industrial development people, will find helpful.

1) Network planning - this technique is more commonly known as critical path method or PERT. It is one of the most powerful planning devices that has entered the American business scene this century. The technique can be applied to plan any program that has a beginning and an end, and is being used more and more each day. I advise you to become familiar with it.

2) Data collection and retrieval - you have heard much about computers, what they can do, and how they work. Perhaps you have been frightened away from data collection by the complexity and expense of computer equipment. However, data collection and retrieval makes use of relatively inexpensive card handling equipment rather than computer equipment. I recommend that you seek out in your organization those people who know about data collection and retrieval and put their knowledge to work for you. For instance, by having data about available sites, community characteristics, and your own customers' freight shipments and receipts, you can easily and quickly prepare an analysis of his relocation needs.

3) Linear programming - this is a mathematical technique to assist in locating facilities with respect to their production and storage characteristics.

4) Forecasting - computers give us the ability to easily and quickly use historical data to forecast future demand. By keeping records about the various industries on your lines, you should be able to use forecasting techniques to anticipate increased demands for both your equipment and for properties available in your market area.

5) Production line balancing - this is a testing and simulation procedure which might be of great value to certain of your manufacturing customers. It is used to establish the optimum arrangement of production operations.

6) Capital investment project planning - with hand computers, the calculation of cash flow for capital investment programs is a tedious and sometimes impossible task. Computer equipment now makes it possible to take into account factors, such as, depreciation, tax rate, equipment cost, salvage value, with many others, and to combine them in a meaningful program of simulation to determine the best capital investment path to follow. This is a program you should become acquainted with so as to properly advise your clients in its use.

7) Geographical area selection - this technique is the very simple process of finding a center of gravity for freight weights and distances to and from markets and suppliers. The data for this analysis is probably available in your freight sales department and, by using it in industrial development, you can assist your good clients in quickly screening the logical location of their next expansion program

Since most of the above are basically computer or data collection programs, I recommend that you get friendly with the data processing people in your organization. These persons can be of great assistance to you. I have felt it important to dwell on the techniques because they are the advance tools that consultants and clients alike are now using to assist in their industrial development studies.

Now let us review very quickly the essential ingredients in a program of industrial development:

- 1) The offerer and seeker must each have a well planned course of action.
- 2) The course of action must be consistent with the goals of each group.
- 3) The offerer must know what to offer, to whom, and how.
- 4) The seeker must know what to seek and where to seek it.

The role of a consultant is to help his client, be he offerer or seeker, achieve a successful industrial development program. To follow these simple precepts and to implement them honestly and competently is the goal of every able industrial development consultant.

THANK YOU!