

Week of June 21, 2004

Project Watch

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U-Turn: Union Tank Car's \$100M, 850-Worker Plant Goes to Louisiana

by JACK LYNE, *Site Selection* Executive Editor of Interactive Publishing

BATON ROUGE, La. – "Project U has made a U-turn into Louisiana," a beaming Gov. Kathleen Blanco (D) told the state Senate last week.

Union Tank Car Co. is the company that's made that project turnaround. The 110-year-old firm has picked **Alexandria, Louisiana**, as the location of its new US\$100-million, 850-employee railcar plant, which will span between 800,000 to 1 million sq. ft. (72,000 and 90,000 sq. m.).

The Bayou State's selection comes after a topsy-turvy scenario. In March, Chicago-based Union Tank announced that it had eliminated Louisiana from contention for the plant. Instead, the company said that it was headed to Texas to hammer out the project's final details.

Or so it seemed.

Louisiana had been working to land the Union Tank plant, code-named "Project U," since the fall of 2003. That was when discussions with the company began during the previous administration of Gov. Mike Foster (R).

Blanco and state economic development officials doggedly continued the state's pursuit. They persevered, in fact, even after the firm said it was Texas-bound, as the governor kept calling Union Tank President Frank Lester.

"I told him I simply wouldn't take no for an answer," Blanco told the Senate. "We kept pursuing the company. We wouldn't let them go."

Louisiana's First Failed Try Still Drew Company's Praise

Union Tank's location project was spurred by the company's need to reinvigorate its network of aging facilities. It wanted either a new or revamped operation with state-of-the-art equipment.

But just why the project didn't go to Texas remains unclear.

Lester wrote Blanco in March and said that the company was going to enter into "exclusive negotiations" with the Lone Star State for a 30-day period. Many observers expected Union Tank to announce that it would upgrade an existing railcar manufacturing



Union Tank's Louisiana plant will make 14 railcars a day like the one pictured above. The company currently leases about 70,000 of the cars to companies for bulk rail shipping of liquid products.



"We kept pursuing the company," Gov. Blanco (pictured) said of the Union Car project. "We wouldn't let them go." Photo: Louisiana Municipal Association



Union Car President Lester (pictured) told Blanco that the company's consultant "tells me that you have the best economic development team perhaps in the entire country."

operation in Houston.

But the 30-day window of negotiations with Texas closed without the company's reaching an agreement to site the plant. Union Tank officials have refused to discuss why no accord was finalized with Texas - and, for that matter, they've remained quiet about most of the company's site-search moves.

Meanwhile, back in Louisiana, there was still fuel for hope in Lester's *adios* letter in March.

"Our corporate relocation consultant visited 20 states in the last 12 months on various projects, and he tells me that you have the best economic development team perhaps in the entire country," Lester wrote Blanco. "I do not believe that you could have done anything else in this matter.

"As you know," he continued, "I had to consider many factors that were beyond your control. It was these factors that slightly tipped the scale towards another state."

Earlier Effort Saved Repair Facility

The state's efforts the first time around, though, apparently did tip the scales on one decision: whether to close Union Tank's railcar repair facility in Ville Platte, which sits 78 miles (125 kilometers) west of Baton Rouge.

Lester in his March letter to Blanco wrote that the company was "experiencing a competitive disadvantage" with its Louisiana repair operation, which employs about 170 workers. Union Tank's customers are required to pay a 9-percent sales tax for work that's performed onsite there on leased railcars. The cars fall under Louisiana's guidelines for taxing "moveable personal property."

However, even with that disadvantage, the Ville Platte plant was still going to remain open, Lester wrote the governor: "We have decided," the Union Tank president noted, "against possibly closing this facility because of your tremendous efforts during our negotiations."

Lester added, though, that "we will continue to work with the Department of Revenue to look for ways to make Louisiana friendlier to our customers."

\$65.2 Million in Incentives

Blanco called a special session this year in an effort to make the state more business-friendly. Louisiana lawmakers agreed in March to phase out two business taxes that state economic developers had long advocated axing. One was a tax on new machinery and equipment, the other a corporate franchise tax on debt.

Blanco also carefully counted down the 30 days in which Union Tank had said that it would negotiate with Texas. At the end of that 30-day span, she called Lester, asking him to re-open negotiations with the Bayou State. Union Tank's head man agreed.

"I didn't nag him to death," Blanco said of her ongoing contact with Lester. "But I tried to pace it out, to show our continual interest," the governor said.

"We thought we had lost this project to Texas, but we never gave up," she continued. "We were ready to turn the project around once negotiations with Texas ceased."

Louisiana's \$65.2-million incentive package helped seal the Union Tank project. The company accepted the subsidies in the memorandum of understanding that it signed with the state. Almost half of the package - \$32 million - will be for site development. (The phase-out of the state's tax on new machinery and equipment won't apply to the railcar plant, since Union Tank will be located in a tax-free zone.)

Union Tank's subsidies, though, are actually about \$11 million less than what Louisiana offered in its first run for the plant. The state's initial incentives offer consisted of a \$76.7-million package.

Louisiana's Little Engine That Could

The memorandum of understanding requires Union Tank to maintain a minimum average of 850 jobs a year for a 10-year period. If it fails to achieve that employment level, some of the project incentives will be withdrawn.

The company says that about 700 of the new operation's jobs will be manufacturing positions. Another 150 jobs will be in professional positions. The plant's average salary will be \$40,000 a year, state officials said.

The plant will make 14 railcars a day. Union Tank currently leases about 70,000 railcars to other companies for bulk rail shipping of liquid products.

The company hadn't finalized the site of its manufacturing operation when Blanco made her announcement. On June 21st, though, Union Tank announced that it had picked Alexandria, a central Louisiana city located 140 miles (224 kilometers) northwest of Baton Rouge. The railcar manufacturing facility will be located in England Industrial Airpark, on the site of the former England Air Force Base.

"Louisiana," said Blanco, "is the little engine that could."

Editor's note: For more on the Bayou State, including an exclusive interview with Gov. Blanco, see the Louisiana Spotlight in the July 2004 issue of *Site Selection*, which will soon be in subscribers' hands.



Straumann will locate inside Minuteman Park (pictured). The company liked the location for both its nearby medical-devices and life-sciences cluster and the park's modernistic glass-and-steel architecture.

Straumann Keeps U.S. HQ in Mass.; Will Add First U.S. Plant

by JACK LYNE, *Site Selection* Executive Editor of Interactive Publishing

ANDOVER, Mass. – After considering seven other states, Swiss-based **Straumann** has ended months of speculation by deciding to keep its U.S. headquarters in **Massachusetts** - and more:

In addition, the prominent medical device manufacturer has announced that it will open its first U.S. manufacturing plant in the Bay State. That added stateside function will create as many as 300 new jobs in manufacturing high-precision implants for tooth replacement.

Straumann will consolidate its U.S. headquarters and manufacturing inside a leased building in Minuteman Park in **Andover**, some 25 miles (38 kilometers) north of Boston. Currently, the company's U.S. base is located in Waltham, about 11 miles (18 kilometers) west of Boston. The 185 headquarters positions will be relocated to Andover, where Straumann plans to invest \$50 million

in renovating a 170,000-sq.-ft. (15,300-sq.-m.) facility.

Skilled labor is what drew the Waldenburg, Switzerland-based firm to Andover in Massachusetts' Merrimack Valley, explained CEO Gilbert Achermann.

"We want access to talent, to skilled labor, be it on the manufacturing, research [or] development side," Achermann said at the project groundbreaking. "And that is what you all have here next door."

The Minuteman Park site puts Straumann smack dab in the middle of a fast-growing cluster of medical-devices and life-sciences firms.

Nearby companies in Andover include Tokyo-based drug-maker **Eisai's** R&D institute; **Smith and Nephew's** endoscopy division headquarters; and a **Philips Medical Systems'** plant that makes defibrillators, patient monitoring systems, and ultrasound and information-systems products. In addition, Andover's corporate community includes **Wyeth BioPharma's** huge campus, which employs some 1,800 biopharmaceutical engineers, researchers,



"We must build on the cooperative spirit that brought Straumann USA to Massachusetts," said

scientists and manufacturing workers.

"This is an emerging hotbed of medical technology," Straumann USA President Russell Olsen said. "We felt this was a community where we could grow in terms of the talent pool and the shared knowledge transfers that could be available."

MassDevelopment President and CEO Robert L. Culver (pictured).

Northeast, Southeast States

Made Up Site Selection Competition

The deal had been hotly rumored for months in Boston-area media outlets. Straumann officials, however, had consistently refused to confirm a decision before the Andover groundbreaking.

Massachusetts officials began discussions with the company in May, according to officials with the Massachusetts Medical Device Industry Council (MassMedic), a group made up of more than 300 members of the state's medical technology sector.



Straumann's other manufacturing plant (pictured) is located in Villeret, Switzerland.

Straumann considered seven states, according to Gov. Mitt Romney (R), who personally lobbied the company. That group, said Romney, included Florida, Georgia, New Jersey, North Carolina, New York and Pennsylvania. (Company officials didn't say how many states were considered and didn't specify any of the competing areas.)

"Straumann's decision to locate this facility in Massachusetts after considering multiple states is a testament to the competitive strengths we have here to support emerging technology businesses," said Susan Houston, executive director of the Massachusetts Alliance for Economic Development (MAED), a private, non-profit partnership of state business, industry and government leaders.

In-State Firms Wooed Project

The world's second-largest producer of dental implants also heard testimonials from a number of major kindred companies already in the Bay State.

Straumann's site decision team, for example, met with officials of Smith & Nephew, who showed them the company's Boston-metro manufacturing facility in Mansfield. The Mansfield plant makes endoscopic medical instruments and devices used in artificial knee and shoulder implants - the kind of precision work that will be done inside Straumann's first U.S. production operation.

And MassMedic members provided the company with more information on the area's suitability.

The company also liked the Andover site's proximity of the Greater Lawrence Technical School, Straumann officials said. Located half a mile (0.8 kilometer) from Minuteman Park, the vocational school offers precision tooling courses.

Romney praised the partnering recruitment efforts of Team Massachusetts, a coalition of public and private economic development organizations that includes the Massachusetts Office of Business Development, the Massachusetts Office of International Trade and Investment, the Massachusetts Alliance for Economic Development and MassDevelopment.

"We must build on the cooperative spirit that brought Straumann USA to Massachusetts and apply the Team Massachusetts mentality to future deals," said Robert L. Culver, president and CEO of MassDevelopment, a quasi-public agency that serves as the state's investment bank and real estate development agency. "The medical-device industry is too important to the commonwealth to risk letting these firms overlook the clear advantages of doing business in our state."

Project Aimed at Upping U.S. Sales

Above all, though, the deal was apparently sealed by the area's work force and its strong cluster of like-minded firms.

"The Andover location," said Achermann, "provides access to an important pool of scientific and skilled labor talent and enables us to house our key U.S. functions under one roof close to other leading companies in the medical device business."

Consolidating in Andover is part of Straumann's strategy for increasing its U.S. market share.

The company is currently No. 3 in the U.S. dental-implant market. One-fourth of Straumann's 2003 sales came from the United States. The company is aiming to increase its U.S. sales to 35 percent of total revenues by 2008.

"The U.S. market offers Straumann a tremendous opportunity," said Achermann, "and we are investing in people and infrastructure to get closer to our U.S. customers and take maximum advantage of our rising position in the market."

The Andover manufacturing operation will join Straumann's other plant in Villeret, Switzerland.

The company plans on moving into the renovated Massachusetts facility by mid-2005, with production going online at the end of next year.



American Signature designs, manufactures and retails furniture, including the recliner pictured above.

Furniture Firm's 517,000-SF Distribution Center Takes a Big Seat in NW Indiana

by JACK LYNE, *Site Selection* Executive Editor of Interactive Publishing

LAPORTE, Ind. – Furniture kingpin **American Signature** has pulled up a king-size corporate chair in **LaPorte, Ind.** The Columbus, Ohio-based company has announced that it's picked that northwest Indiana city for a new \$23-million, 517,000-sq.-ft. (46,530-sq.-m.) distribution center that will employ almost 200 workers by 2007.

American Signature executives joined with state and local officials to announce the project at a groundbreaking at the 59-acre (24-hectare) site in Eastgate Industrial Park where the company will build its new facility.

"Indiana is a great state in which to expand our presence," American Signature Senior Vice President Gary Tittle said at the ceremonies. "We thank Gov. Joe Kernan, the Indiana Department of Commerce and the city of LaPorte for their help and assistance in making the distribution center a reality."

And LaPorte thanks American Signature right back - very emphatically. The area has been aggressively recruiting job-generating projects since **Berkel Corporation**, **Modine Manufacturing** and **Whirlpool** all shut down local operations in recent years. LaPorte lost 500 jobs during 2001-02, according to city officials.

The city won the project over four other sites that made the short list for American Signature's center, which will serve the U.S. Midwest, Tittle said. Though he didn't name any contending sites, Tittle did say that all were either in northwest Indiana or near Chicago. A city of some 110,000 residents, LaPorte is about 66 miles (106 kilometers) south by southeast of Chicago.



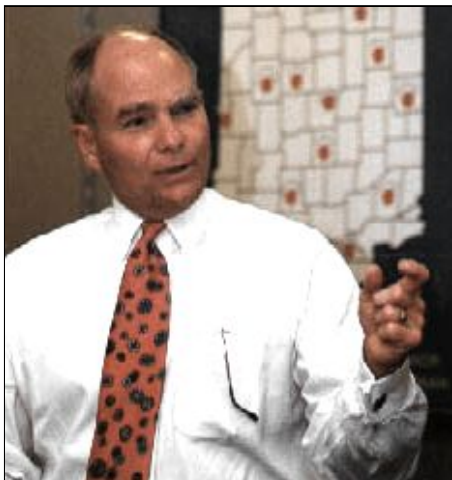
American Signature's center is headed for LaPorte (pictured) in northwest Indiana, a town known as "the City of Lakes." LaPorte's boundaries take in six lakes.

State's Incentives Total \$2.3 Million

Kernan couldn't attend the groundbreaking, but issued a statement on the project, which he helped recruit.

"Indiana's central location is a strength when it comes to attracting this type of investment,"

the Democratic governor commented. "It's something we will continue to emphasize as we work to increase job opportunities for Hoosiers.



American Signature's distribution center announcement "is evidence that our job creation efforts are paying dividends," said Gov. Joe Kernan (pictured).

"The fact that an outstanding company like American Signature has chosen to invest in our state and work force is excellent news for the Indiana economy. [It's] evidence that our job-creation efforts are paying dividends," Kernan said of his state, which won *Site Selection's* 2003 Competitiveness Award. (For more details, [see "'WINdiana' " from Site Selection's online archive.](#))

This time around, state and local incentives gave Hoosier State job creation a healthy boost.

The Indiana Department of Commerce is providing the American Signature project with more than \$2.3 million in assistance. State-level subsidies include:

- \$1.9 million in Economic Development for a Growing Economy tax credits;
- \$397,000 in infrastructure assistance through the Industrial Development Grant Fund;
- \$50,000 from the Technology Enhancement Certification for Hoosiers fund, which will be used to train

the company's information-technology workers; and

- \$30,500 from the Skills Enhancement Fund for training other new American Signature employees.

City Donating Site

LaPorte, too, held up its end of the equation in sealing the deal. The city has agreed to buy American Signature's site in Eastgate Park and donate it to the company. LaPorte officials haven't estimated the property's final purchase price.

In addition, the city is working with the state to make more than \$1 million in infrastructure improvements for American Signature's site.

Local observers began speculating in late May about which company might be heading to town. What started the rumor mill rolling was the LaPorte Redevelopment Commission's opening of bids for sewer and water extensions to an area in Eastgate Park - the same one that the furniture maker later announced as its site.

"This project has been the result of an energetic partnership between the state of Indiana, American Signature and the city of LaPorte," said Barkley Garrett, acting director of the state Commerce Department's Region 2 office, which covers nine north Indiana counties. "These kinds of partnerships will play a crucial role in attracting new companies like American Signature."

Under Kernan's leadership, Garrett added, the state "has prioritized economic development and job creation."

American Signature's announcement immediately increased the local area's priority as a potential expansion site. Several firms have contacted the city concerning major projects, according to officials with the Greater LaPorte Chamber of Commerce.

American Signature, a subsidiary of **Schottenstein Stores**, designs, manufactures and retails furniture. Its new facility in LaPorte will come online early next year, said Tittle. Within two years, he added, staffing will increase to 197 employees. Those positions will be a mix of salaried and hourly positions, with workers making about \$15 an hour on average, company officials said.

The center will primarily serve stores in Illinois, Indiana and Michigan. The LaPorte facility will join American Signature's other distribution centers, which are located in its Ohio headquarters city of Columbus, outside Richmond, Va., and near Thomasville, Ga.

The company regularly ranks among the ranks of the top 10 furniture retailers complied by *Furniture Today* magazine. American Signature is also the parent of **Value City Furniture**, which also makes and retails furniture.

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