

Dallas Industry Strategy

Economic Development and Housing Committee

April 3, 2006

Purpose

- Introduce a target industry strategy to guide the Office of Economic Development's (OED) *proactive* business development efforts over the next 24 months

Introduction

- The key concept in ED today is how the locality adds value to the firm
 - In turn, some industries bring more benefit to a community than others because they more closely match local work force, infrastructure and technology assets
 - Well adapted industries will grow faster and invest more
- To truly add value requires that a City understand the strengths, weaknesses, threats and opportunities of an industry
 - With limited resources, this means focusing on the industries that will best fit Dallas and give us the greatest return on our scarce economic development resources
 - They key is to select **strategic industry targets** that can be addressed by all economic development services

Customize OED Services

- Under a strategic industry approach, the tactics adopted by business service divisions can be tailored to the unique needs of each target industry
 - Entrepreneurial small business – create industry specific BACs / incubator capability and build work force and research partnerships
 - Business development – develop a custom response process for the cold call firms in these industries
 - BEAR program – call on local firms to assess needs and foster partnerships and associations
 - Marketing and recruitment – develop campaigns to identify and call on potential relocation candidates
 - Research – monitor conditions, threats, opportunities, work force and facilities needs of target industries
 - International – provide targeted recruitment of international firms

Strategic Target Research

- To identify a set of industries that can prosper in Dallas and maximize our return on scarce economic development resources, OED completed an extensive analysis of the Dallas economy and the national and international prospects of approximately 250 industries

Five Strategic Industry Prospects

- From this research OED identified five top prospects
- Year one:
 - High IT Use Services (finance, accounting, distribution, health care)
 - Prefabricated Building Materials
- Year two the strategy adds:
 - Media (converging content, Spanish markets)
 - Food Processing and Distribution
 - Instrument Manufacturing

Why High IT Use Services?

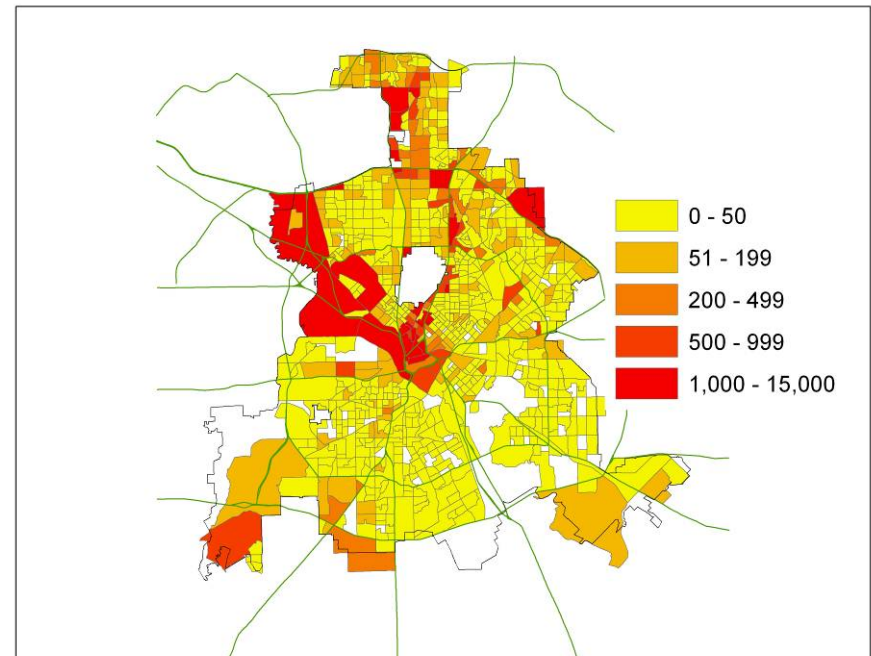
Current Dallas Position: 3,332 firms concentrated in accounting, payroll and finance.

Value Chain Target: Firms that build linkages between information technology and Dallas' professional strengths: finance, accounting, health, distribution.

Reality Check:

- Trend is merging of professional knowledge and IT systems/software to create new, more efficient business processes
- Central city locations appeal to many professionals who will create these industries

Current High IT Use Service Jobs



Why Prefabricated Materials?

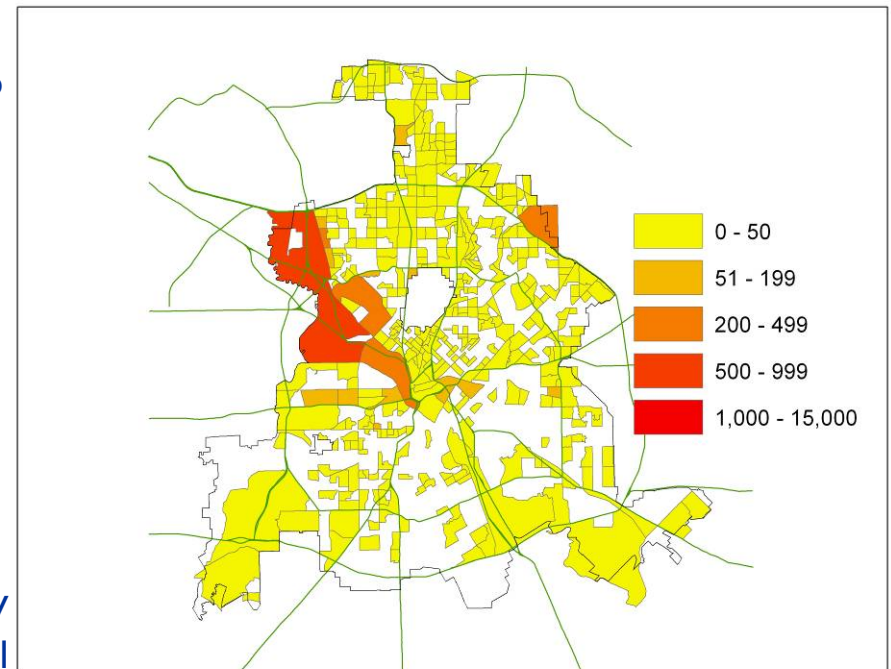
Current Dallas Position: 155 firms concentrated in fabricated structural metal, window and door manufacturing, and wood kitchen cabinet and countertop manufacturing.

Value Chain Target: Firms that apply advanced processes to remain competitive and ultimately move into advanced materials and energy efficient building systems.

Reality Check:

- Growing demand for prefabricated construction materials to save costs
- High-end “green” products to save energy
- Dallas can supply components for regional housing growth

Current Prefab Building Materials Jobs



Why Food Processing?

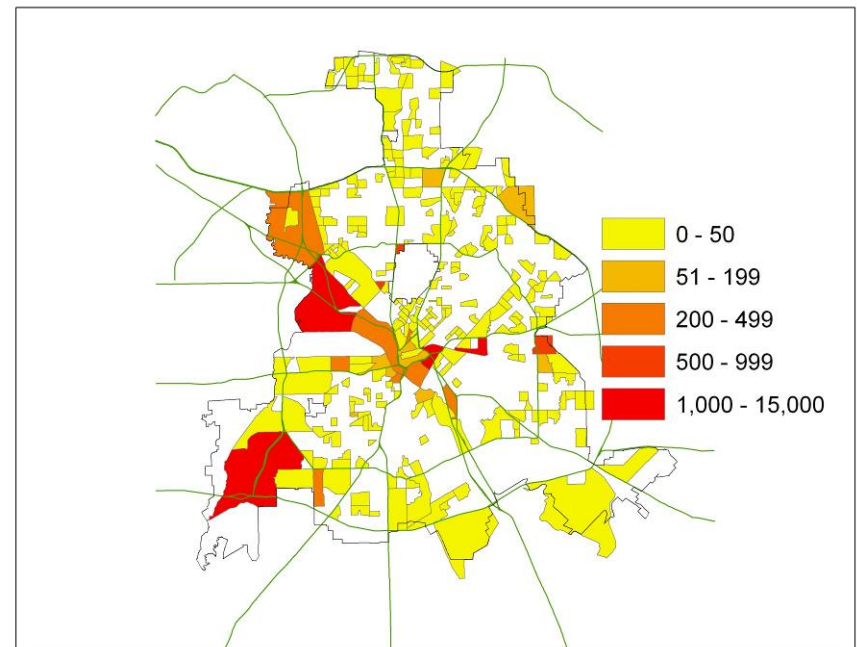
Current Dallas Position: 162 firms concentrated in milk, baking and snack foods.

Value Chain Target: Add frozen and specialty foods and distribution.

Reality Check:

- Opportunities for niche products
- Opportunity to supply the region or national markets
- Takes advantage of logistics and distribution capabilities

Current Food Processing Jobs



Why Media?

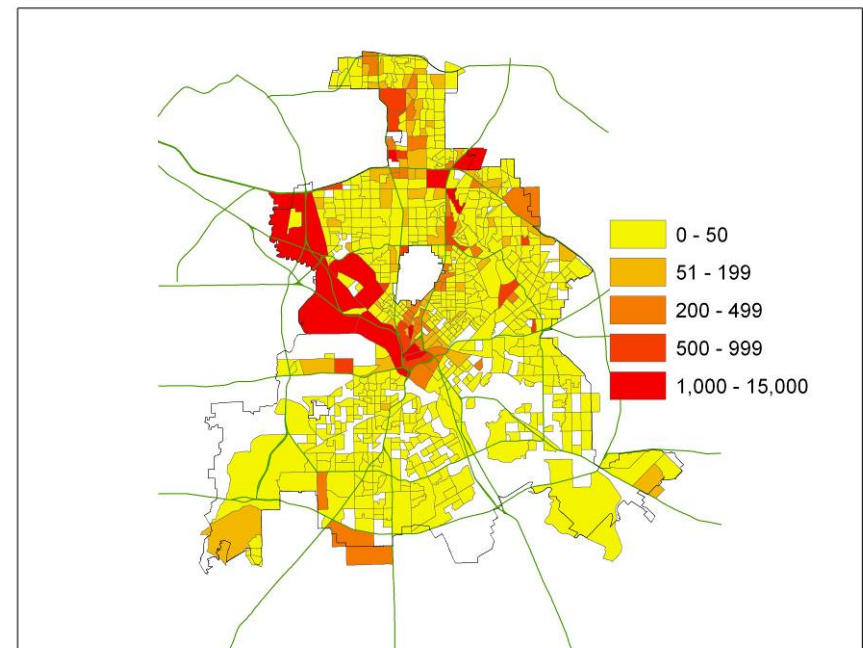
Current Dallas Position: 840 firms concentrated in advertising, motion picture and video production.

Value Chain Target: Cross-media firms and growing ethnic markets.

Reality Check:

- Convergence of technologies – TV, video games, print – are producing cross fertilization and standardizing the required skills
- Growing Hispanic market domestically and internationally

Current Media Jobs



Why Instruments?

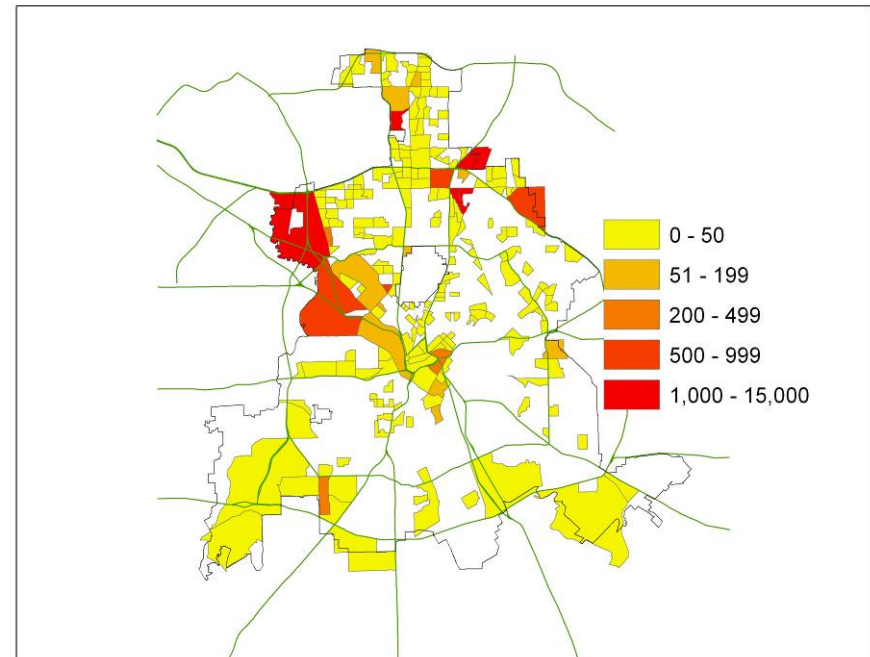
Current Dallas Position: 101 firms concentrated in electronic measuring/testing and navigation and guidance instruments.

Value Chain Target: Move to niche manufacturing of high-tech products that combine industry capabilities.

Reality Check:

- Large engineering community and growing engineering schools
- Mechanical, electronics, bioengineering and materials engineering are converging with the promise of new products in health care, security, energy/environmental systems
- Provides *service enablers*: pieces of hardware that generate large numbers of supporting service jobs

Current Instruments Jobs



How to Select Strategic Targets

- Step 1: Review previous studies
- Step 2: Identify Dallas' global economic role
- Step 3: Identify Dallas' regional economic role
- Step 4: Identify our unique industry mix
- Step 5: Understand global economic and business trends
- Step 6: Do a detailed statistical analysis of all industries and develop a short list
- Step 7: Understand work force conditions
- Step 8: Inventory our business real estate assets
- Step 9: Perform a qualitative analysis of short list industries (SWOT)

Previous Target Studies

- Governor's Office – North Texas (2005):
 - Semiconductor and micro-electromechanical systems
 - Aerospace and defense (Fort Worth)
 - Information and computer technology (equipment and services)
 - Energy
- Greater Dallas Chamber – Dallas half of DFW (2002):
 - Data & computer management (retention)
 - Global financial firms
 - Medical device and biopharmaceutical firms
 - Semiconductor equipment and supplies (not chip production)
 - Headquarters, data and logistics facilities

Previous Target Lessons

- Relevance
 - Provide high value added industry targets
 - Relatively current
 - Chamber emphasis on facilities
 - Governor's emphasis on "soft infrastructure" such as trade associations and university degree programs
- Shortcomings
 - Both focus on region, not City of Dallas
 - Focus on high skill to exclusion of entry level
 - Do not address how to transition from current industry mix to higher value added
 - Recruitment to the exclusion of entrepreneurship and expansion of local companies

Dallas' Global Role

**To the World,
Dallas = DFW**



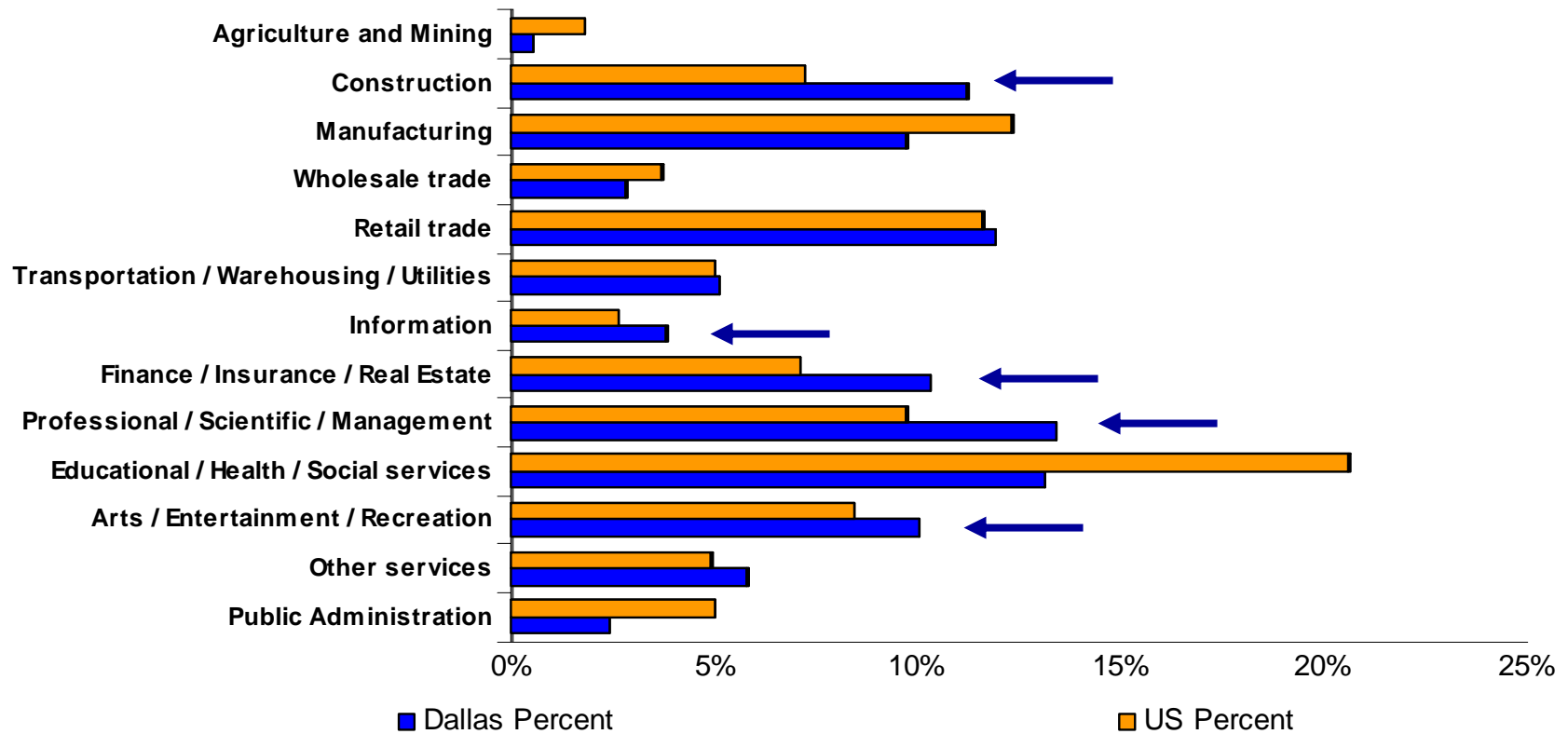
- DFW in turn is seen as:
 - Big economy
 - US: 8th, World: 27th
 - Administrative center
 - 5th ranked HQ center
 - 101,000 federal and state jobs
 - Distribution center
 - 3rd busiest international airport
 - 15 major freight facilities
 - 4 intermodal rail yards
 - 5 interstate highways

Dallas' Regional Role

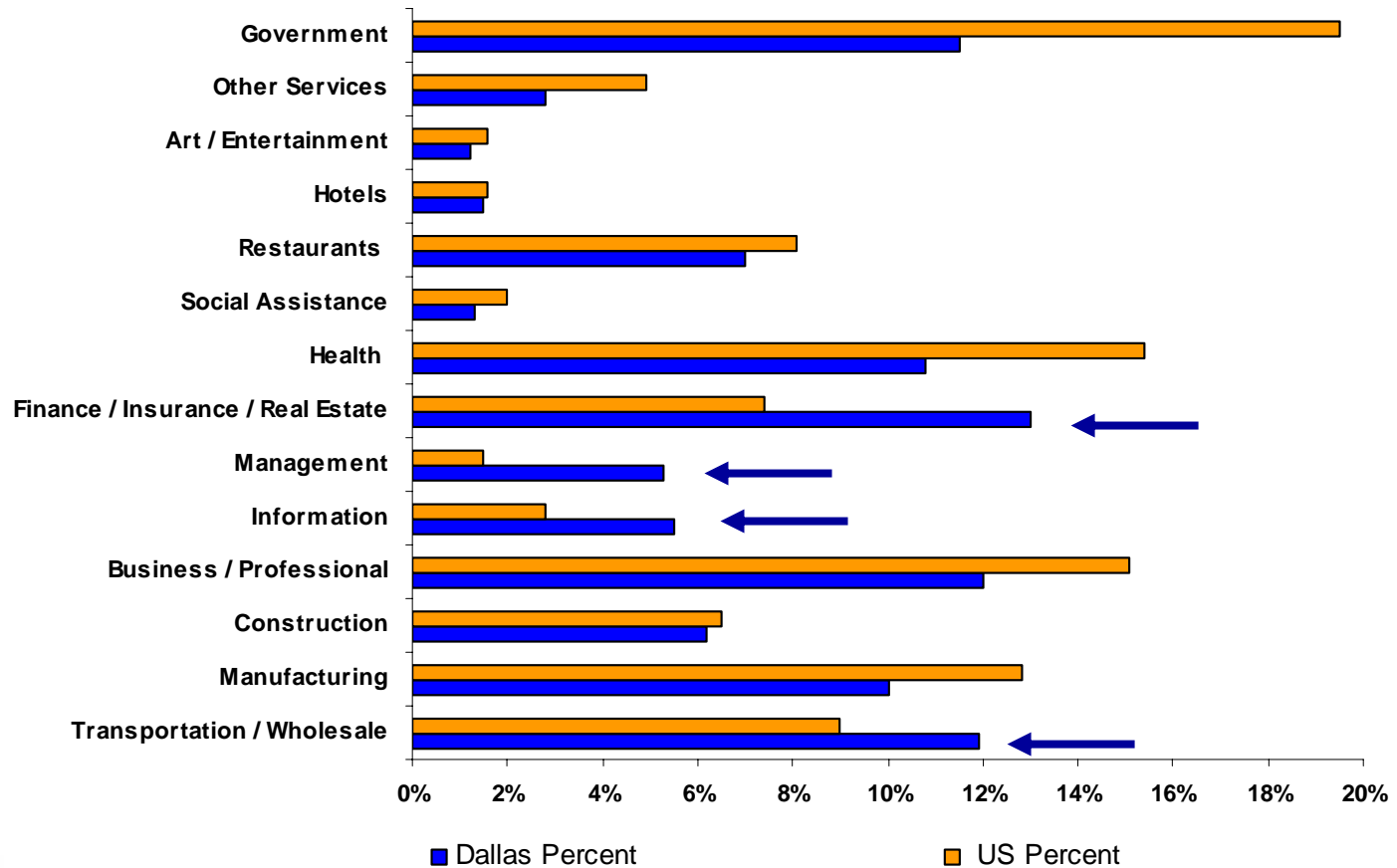
- **Biggest city**
 - 1/5th of population and work force
 - 1/3rd of employment and output
 - 1/2 of area office space
 - 1/3rd of area industrial / distribution space
- **Infrastructure nexus**
 - Highways, rail, Love Field, DART, utilities, telecommunications
- **Urban amenities**
 - Hospitals, community colleges, cultural center, urban neighborhoods, signature parks



City of Dallas Residents' Employment



Jobs in Dallas



Global / National Business Conditions

- Convergence of information technology and business processes:
 - Business process
 - Software
 - Hardware – Service enablers
- Logistics and transportation trends:
 - Supply chain processes are driving retail, manufacturing and increasingly services
- Higher energy prices:
 - Productivity increases are key to maintaining living standard
 - Need more efficient manufacturing, distribution, services and land use
- Demographic shifts:
 - Labor competition – a quality work force available globally
 - US / Dallas population is younger than many other nations / cities
 - Return to the city movement?

Economic Outlook

- Dallas has a favorable industry mix:
 - If Dallas grows at U.S. average, it adds 59,000 jobs by 2010
 - Dallas' industry mix, however, is forecast to add 73,000 jobs
- 30 percent of new jobs will be office professional
- Non-professional jobs will have to increasingly come from vocational healthcare, retail, temporary agencies
- Manufacturing continues to lose jobs
- Cities across the region and the world are actively competing and nurturing development - we will have to earn many of these jobs
- Global economic trends offer opportunities to Dallas

Quantitative Variables

Variable:	What it tells us:
Location quotient:	How concentrated the industry is in Dallas
Establishment growth:	Which industries are creating the most new firms
Shift-share:	How competitive Dallas' firms are compared to national firms
Employment level:	How big the Dallas work force is in each industry
Employment forecast:	Which industries expect to add the most jobs
Output forecast:	Which industries expect to add the most value and tax base
Economic multiplier:	Which industries have the biggest local economic impact
Wage rate:	Which industries contribute most to personal income
Longitude and latitude:	Where industries currently cluster in the City

Example of a Top 25 List

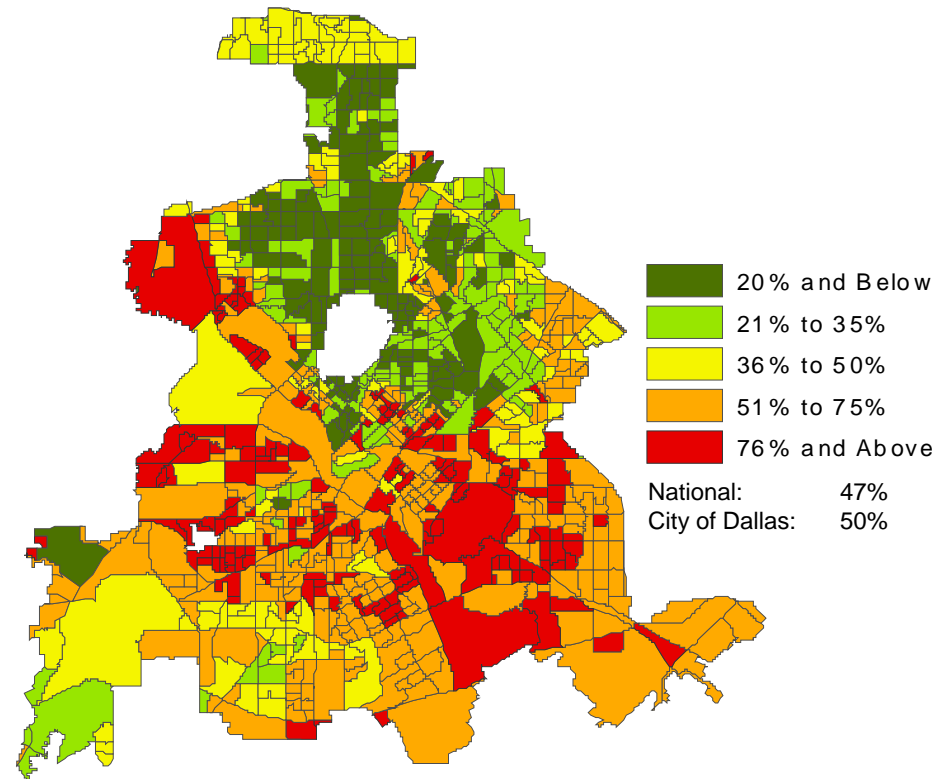
Description	NAICS*	Description	NAICS*
Other Investment Pools and Funds	5259	Converted Paper Product Manufacturing	3222
Cable Networks and Program Distribution	5132	Architectural and Structural Metals Manufacturing	3323
Medical and Diagnostic Laboratories	6215	Support Activities for Road Transportation	4884
Specialized Freight Trucking	4842	Dairy Product Manufacturing	3115
Telecommunications	5133	Electric Power Generation, Transmission and Distribution	2211
Radio and Television Broadcasting	5131	Communications Equipment Manufacturing	3342
Soap, Cleaning Compound, and Toilet Preparation Manufacturing	3256	Plastics Product Manufacturing	3261
Information Services	5141	Nondepository Credit Intermediation	5222
Data Processing Services	5142	Specialized Design Services	5414
Navigational, Measuring, Electromedical, and Control Instruments Manufacturing	3345	Motion Picture and Video Industries	5121
	3391	Activities Related to Real Estate	5313
Medical Equipment and Supplies Manufacturing		General Freight Trucking	4841
Securities and Commodity Contracts Intermediation and Brokerage	5231	Software Publishers	5112

*NAICS = North American Industrial Classification System

Workforce Conditions

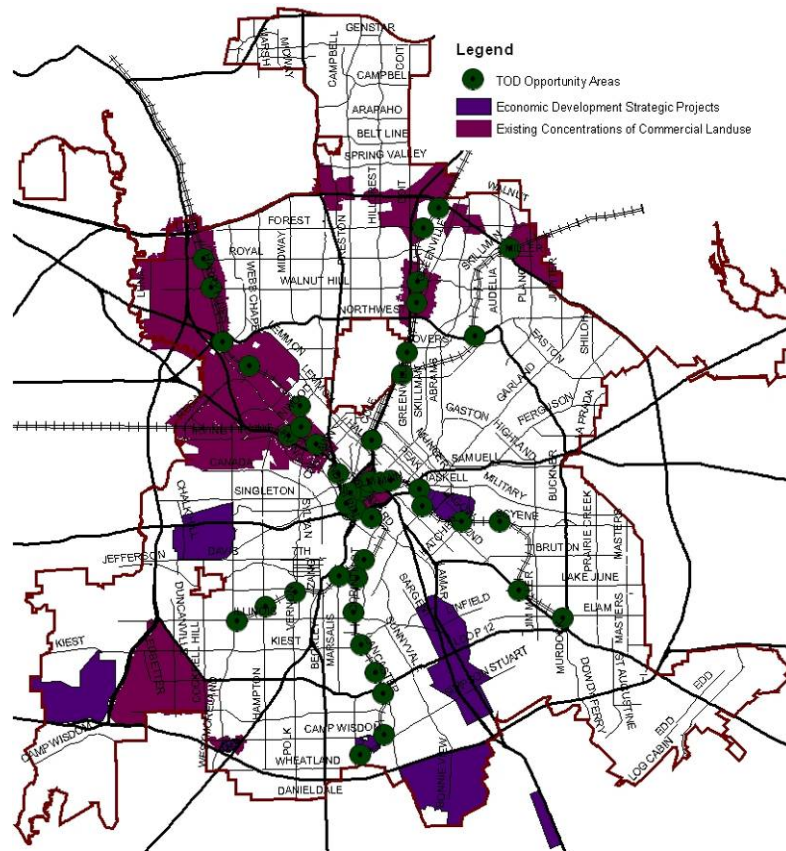
Residents With High School Diploma or Below

- Dallas has a diverse work force with large numbers of high and low skilled individuals
- This implies a need for industries and jobs at all skill levels



Business Real Estate Assets

- Dallas has a number of industrial and business centers
- An industry's facility and real estate needs are specialized



Go Beyond the Statistics

- Key Questions to ask of the short list industries
 - Economic Questions:
 - What are the key occupational trends?
 - What are the key technology trends?
 - Which are a match for our geographic priorities?
 - What are the gaps to moving our target industries up the value chain?
 - Does the statistical definition of an industry make sense?
 - Organizational Questions:
 - What are our long-term image (and other) objectives?
 - Which provide opportunities to realign OED services?
 - How many industries can we do justice in year one?
 - How can the City add value?

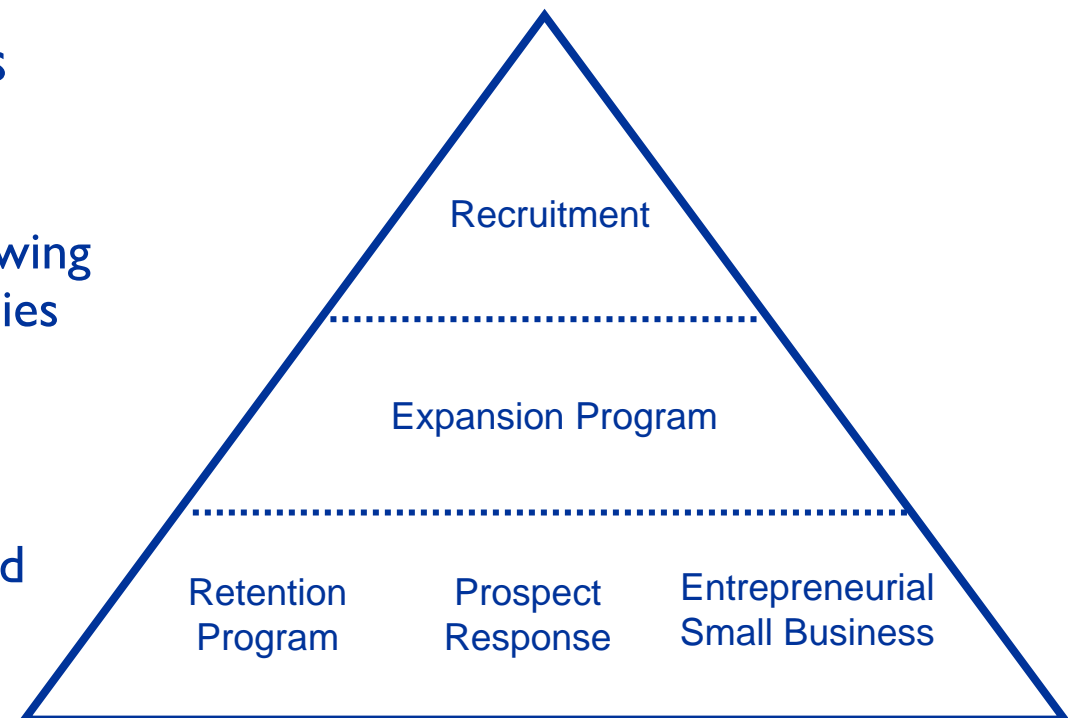
Strategic Industries Recap

- Five Strategic Industries for Dallas:
 - High IT Use Services (finance, accounting, distribution, health care)
 - Prefabricated Building Products
 - Food Processing and Distribution
 - Media (converging content, Spanish markets)
 - Instrument Manufacturing
- Each is an existing Dallas strength
- There is a recognized path from each into next generation products and services
- They all have better than average employment and output prospects
- The list does not follow fads: this is a unique list for a unique economy

Implementation

Covers All ED Services

- Foundation is based on stabilization, customer responsiveness, and growing next generation companies
- Second layer is strengthening existing dominant industries
- Finally, selectively expand the industry mix



Implementation

- New Economic Development Mindset: How can we add value across the board?
 - Publicly show that we are committed to the industry's success here
 - Build relationships
 - Plan for target industry needs
 - Maintain good quality of life: public safety, strategic investments in roads, parks and libraries and catalyst projects

Recommendations

- Implement a rolling start to target industries
 - Full campaign in year one for two industries:
 - High IT Use Services
 - Prefabricated Building Materials
 - Maintain monitoring system for all five and look for targets of opportunity in the remaining three:
 - Food Processing and Distribution
 - Media
 - Instruments
 - Complete research to identify solutions to gaps and in particular the best approach to grow new firms in each
 - Implement full campaigns for remaining three over next 24 months