International Business Plan and Its Impact on Southern Dallas

Economic Development & Housing Committee
May 15, 2006
Purpose

- To illustrate the significant international importance of the Dallas area
- To present the International Business Division strategic approach
- To provide information regarding Southern Sector’s opportunities to capitalize on international business
Regional Overview

DFW Context

- Texas is one of five states that dominate the US economy – the five combined account for 38% of the GDP and 35% of employment
- Within Texas, DFW is the primary engine with 27% of population, 28% of labor force, 28% of jobs and 29% of Gross State Product
- DFW as national and international player
  - 8th largest employment center in US (2.8 million jobs)
  - 27th among world’s nations ($260 B, between Switzerland and Hong Kong)
Regional Overview

DFW history

- 50 years from regional trade center to international gateway
- Growing from fewer than 1.5 million residents and 500K jobs to 6.2 million and 2.8 million jobs
- Average annual growth of 229 residents and 112 jobs per day every day for more than half a century
- Ranked 3rd in population growth in 1990s (1.2M total)
- Ranked 1st in employment growth (760K total)
- One in every three DFW jobs today added during 1990s
International Business Growth

- Total global trade in the Dallas area increased by over $5.7 billion – or 13% – from 2004 to 2005, for a total of $49.6 billion
- Metroplex is home to over 2,250 global companies, 22 Fortune 500 headquarters and 9 Global 500 headquarters
- 425 foreign-owned businesses
- DFW is the world’s 3rd busiest airport serving 5.6 million international passengers in 2005
# International Business Growth

## Foreign-Owned Companies’ Dallas Area Employees

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bimbo Bakeries (Mexico)</td>
<td>1,100</td>
</tr>
<tr>
<td>Ericsson (Sweden)</td>
<td>1,028</td>
</tr>
<tr>
<td>LSG Sky Chefs (Germany)</td>
<td>977</td>
</tr>
<tr>
<td>Fujitsu (Japan)</td>
<td>900</td>
</tr>
<tr>
<td>NEC America (Japan)</td>
<td>873</td>
</tr>
<tr>
<td>Essilor of America Inc. (France)</td>
<td>831</td>
</tr>
<tr>
<td>Hanson Building Products (UK)</td>
<td>750</td>
</tr>
<tr>
<td>Samsung USA (S. Korea)</td>
<td>500</td>
</tr>
<tr>
<td>Futurewei Technologies (China)</td>
<td>150</td>
</tr>
<tr>
<td>ZTE USA (China)</td>
<td>35</td>
</tr>
<tr>
<td>Nortel (Canada)</td>
<td>3,800</td>
</tr>
<tr>
<td>Nokia (Finland)</td>
<td>3,500</td>
</tr>
<tr>
<td>7-Eleven (Japan)</td>
<td>3,443</td>
</tr>
<tr>
<td>Alcon Laboratories (Switz)</td>
<td>2,900</td>
</tr>
<tr>
<td>Alcatel USA (France)</td>
<td>2,239</td>
</tr>
<tr>
<td>CompUSA (Mexico)</td>
<td>1,100</td>
</tr>
<tr>
<td>ST Microelectronics (Neth.)</td>
<td>1,450</td>
</tr>
<tr>
<td>Cadbury Schweppes</td>
<td></td>
</tr>
<tr>
<td>Americas Beverages (UK)</td>
<td>1,227</td>
</tr>
<tr>
<td>Accor North America (France)</td>
<td>1,200</td>
</tr>
<tr>
<td>Fairmount Hotel Dallas (Canada)</td>
<td>1,200</td>
</tr>
<tr>
<td>Nortel (Canada)</td>
<td>3,800</td>
</tr>
<tr>
<td>Nokia (Finland)</td>
<td>3,500</td>
</tr>
<tr>
<td>7-Eleven (Japan)</td>
<td>3,443</td>
</tr>
<tr>
<td>Alcon Laboratories (Switz)</td>
<td>2,900</td>
</tr>
<tr>
<td>Alcatel USA (France)</td>
<td>2,239</td>
</tr>
<tr>
<td>CompUSA (Mexico)</td>
<td>1,100</td>
</tr>
<tr>
<td>ST Microelectronics (Neth.)</td>
<td>1,450</td>
</tr>
<tr>
<td>Cadbury Schweppes</td>
<td></td>
</tr>
<tr>
<td>Americas Beverages (UK)</td>
<td>1,227</td>
</tr>
<tr>
<td>Accor North America (France)</td>
<td>1,200</td>
</tr>
<tr>
<td>Fairmount Hotel Dallas (Canada)</td>
<td>1,200</td>
</tr>
</tbody>
</table>
International Business Growth

- The Dallas area is one of the largest inland global distribution centers
  - International air cargo network covers 13 major destinations around the world (8 in Asia)
  - 743,101 metric tones of cargo passed through DFW in 2004 (11% growth)
- International air cargo has grown 16% annually since 2002, mainly to Asia
- China trade out of DFW International is growing faster than traditional international gateways: exports up 834% since 1996 (New York 234%, Los Angeles 426%, San Francisco 197%)

Office of Economic Development   WWW.DALLAS-EDD.ORG
Top Trading Partners

Dallas Area’s Top Ten Direct Trading Partners 2005*

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$12</td>
<td>$3</td>
</tr>
<tr>
<td>South Korea</td>
<td>$4</td>
<td>$2</td>
</tr>
<tr>
<td>Japan</td>
<td>$3</td>
<td>$2</td>
</tr>
<tr>
<td>Singapore</td>
<td>$2</td>
<td>$2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$2</td>
<td>$2</td>
</tr>
<tr>
<td>Taiwan</td>
<td>$2</td>
<td>$2</td>
</tr>
<tr>
<td>Germany</td>
<td>$1</td>
<td>$1</td>
</tr>
<tr>
<td>Philippines</td>
<td>$1</td>
<td>$1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>$1</td>
<td>$1</td>
</tr>
<tr>
<td>Thailand</td>
<td>$1</td>
<td>$1</td>
</tr>
</tbody>
</table>

*Trade cleared through DFW customs, excludes Mexican and Canadian trade cleared through US border facilities.
Going Forward

How can the City accelerate international investment in Dallas focusing on the Southern Sector?
International Business Strategy

- Create an international team to aggressively recruit targeted foreign firms
- Limit the focus to Asia and Latin America with initial concentration on China and Mexico
- Form International Business Advisory Task force
- Leverage Dallas Protocol and World Affairs Council and Dallas Committee on Foreign Relations
- Invest in infrastructure at business parks and Inland Port initiatives
- Promote foreign company awareness of growing Southern Sector distribution capabilities
International Business Division

- Created on October 1, 2005 as a part of Office of Economic Development (OED) to capture and recruit foreign investment
- Mission is to promote foreign investment and attract foreign companies to establish operations and create jobs in the City of Dallas
- Initial focus on China and Mexico
Consult with local business leaders with international experience in China and Mexico to:

- Guide strategic policy
- Recommend business targets and contacts
Leverage Dallas Protocol

- Work with Dallas Protocol and World Affairs Council and Dallas Committee on Foreign Relations to increase business contacts by:
  - Increasing the number of Ambassadors, Ministers, Heads of State and trade delegations visiting Dallas
  - Increasing international activities including cultural festivals and Sister City programs
  - Host the Dallas Consular Corp Summit in October of 2006 showcasing Fair Park during the State Fair of Texas
Invest in Business Park Infrastructure

- Pinnacle
- Mountain Creek
- Southport / Inland Port Project
Promote Foreign Company Awareness

- Raise profile of growing Southern Sector distribution capabilities
- Concentrate on Chinese and Mexican companies with U.S. Distribution needs
- Leverage Business Advisory Task Force
Keys to Executing The Strategy

- Research leading manufacturers in Asia and NAFTA countries with emphasis on U.S. distribution needs
- Monitor local international business activity and understand industry supply chains
- Effectively coordinate with Dallas Protocol, World Affairs Council and Dallas Committee on Foreign Relations
- Leverage the International Business Advisory Task Force
- Partner with other business organizations to improve information flow
- Develop country specific recruitment strategies for China and Mexico
- Improve information flow by developing an international section on OED website
- Hire full time analyst to support our current small team
- Work with local real estate brokers to keep an updated site bank of available warehouse and office space
Keys to Successful Recruitment: China

- Concentrate on companies with U.S. distribution needs
- Create awareness (most Chinese companies don’t know Dallas well)
- Focus on “Second City Concept”
  - Beijing and Shanghai are saturated
  - More potential in other large cities (Chengdu, Chongqing, Jiaxing, Qiandao, Suzhou, Tianjin, Wuhan)
- Conduct three to four outbound trips per year
  - Coincide with key international business networking conferences when feasible
- Visit with Central and Provincial government officials as well as targeted manufacturing companies
- Build relationships – face to face meetings a must
- Emphasize importance of high level receptions when Chinese delegations visit Dallas
Keys to Successful Recruitment: Mexico

- Build on established relationships with Port Authorities and State Government officials on Mexican Pacific Coast
- Utilize International Business Advisory Task Force to assist in identifying Mexican companies to invest in Dallas (Mexico is Texas’ largest trading partner but untapped potential in Dallas)
- Focus initially on targeted industries such as media, food processing/distribution and prefabricated building materials
- Attend Mexican sponsored trade and logistics conferences in conjunction with Inland Port Initiative
- Partner with U.S. – Mexico Chamber, Greater Dallas Chamber and State of Texas Mexico City office
- Schedule trips, as appropriate, when target company list is better defined
Inland Port Concept

- Congestion in nation’s trade infrastructure limits international business growth
- **Import benefits**
  - Reduce bottlenecks at the border by shipping secure cargo to an inland location for customs clearance
  - After clearing customs, there are opportunities to add value to this cargo: distribute, repackage, assemble, manufacture
- **Export benefits**
  - Time and cost savings for local producers to ship from a Dallas facility to deep water ports directly
  - Avoid railroad schedule delays by having regular service from the Dallas facility to deep water ports
Inland Port and Southern Dallas

Southern Dallas benefits:
- 15-20% savings in shipping, driving and handling expenses for local originating products (assumes intermodal facilities)
- All real estate within two to five miles becomes more competitive for warehousing, assembly and manufacturing facilities
- Commercial and retail facilities will follow to support the trade-related facilities

Long Beach exemplifies economic benefits generated by major port/distribution center
- One ship with 8,000 containers injects $3.2M weekly into local economy ($166M annually)
- Supports 30,000 jobs
More Infrastructure for Trade
Dallas Inland Port Area

- Targeted site is near new Union Pacific intermodal facility and Foreign Trade Zone
- Mexican, Dallas and Houston Governments aim to develop a southern route
- Goods will be shipped from Mexican ports (Manzanillo, Lazaro Cardenas & Topolobampo), Port of Houston, as well as from Port of LA/Long Beach, then by rails or trucks
- Containers clear U.S. Customs at the Inland Port of Dallas
- Expedite clearance at Inland Port of Dallas
- Reduce shipping time from congested LA/Long Beach ports by several weeks
City of Dallas Potential*

There are 1,998 acres of land available for assembly distribution in I-20 / I-45 area representing (industrial uses):

- 27,900 potential jobs (including supporting warehouse, commercial and retail)
- $3.2B in potential taxable property
- $25.8M in property taxes at today’s tax rate
- $42.9M total general fund impact (all revenue sources from business operations)

*These estimates exclude jobs, sales tax and other impacts from construction of these business facilities.
International Momentum Has Begun

- Local coalition formed with 8 members: Balch Springs, Cedar Hill, Dallas County, De Soto, Duncanville, Lancaster, Mesquite and Seagoville
- MOU signed with the EPA to establish a Clean, Green and Safe Corridor along the NAFTA trade route
- Primary land holder (The Allen Group) has assembled ~5,500 acres in the impact zone (1/4 in Dallas)
- ULI Advisory Panel in June to evaluate Dallas Inland Port initiatives
International Momentum Has Begun

- Since creation of the new International Business Division, one Chinese governmental agency and two Chinese companies have set up operations/distribution centers in Dallas:
  1. Tianjin’s Economic-Technological Area has signed a 3-year lease and is opening a Dallas office in April 2006
  2. Goldenvale Inc. from Zhejiang Province, manufacturer of Scooters/Dirt Bikes/Go-Karts has signed a Dallas lease; creating 22 jobs in April 2006 and expecting 80 jobs in 2007
  3. Parsun Incorporated from Suzhou, manufacturing Rare-Earth Portable Generators, has signed a Dallas lease; will create 4 jobs in May 2006 and expect expansion to 20 jobs in 2007

- More prospective companies are being targeted for building distribution centers in Dallas pending the outbound trips for further recruitment
City of Dallas Next Steps

- Continue infrastructure investments in the Southport, Bonnie View, Pinnacle and Mountain Creek industrial areas
- Preserve vacant land through Comprehensive Plan and zoning to prevent uses incompatible with logistics industry
- Focus on Chinese and Mexican firms to anchor the Dallas portion of the port area
- Complete multi-party discussions and examine feasibility of a second intermodal facility (BNSF)
- Continue discussions of expansion and placement of foreign trade zone designation
Summary

Dallas was created as a trade center, grew as a trade center and has the potential to perpetuate and thrive as a trade center, but now as a global focal point.
Southport Area Map