

A MORE EFFECTIVE
INDUSTRIAL DEVELOPMENT PROGRAM
FOR THE
PITTSBURGH REGION

Prepared at the request of
ALLEGHENY CONFERENCE ON COMMUNITY DEVELOPMENT
for the
JOINT COMMITTEE OF THE ALLEGHENY CONFERENCE
and
THE PITTSBURGH CHAMBER OF COMMERCE
by the
PENNSYLVANIA ECONOMY LEAGUE, INC.
WESTERN DIVISION

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November 1, 1954

Mr. Park H. Martin, Executive Director
Allegheny Conference on Community
Development
200 Ross Street
Pittsburgh 19, Pennsylvania

Dear Mr. Martin:

This report is being submitted in response to your letter of April 23, 1954, requesting the League, on behalf of the Joint Committee of the Conference and the Chamber of Commerce, to make a series of surveys on the subject of Industrial Development for the Pittsburgh region. This report, including a separately bound series of Appendices, covers Phases I and II and a portion of Phase III, described in your letter.

Before proceeding with the completion of Phase III, on which some work has already been done, we would suggest that basic decisions be reached on this report by the Joint Conference and Chamber Committee.

During subsequent discussions of this report, there will undoubtedly arise the need for development and analysis of additional material on selected subjects. We should like to emphasize that our files and research services will be made readily available to any persons or groups authorized to take action based upon this study.

We trust that this study will be helpful to you and to all others who will participate in decisions on the scope and character of future industrial development efforts by the Pittsburgh region.

PENNSYLVANIA ECONOMY LEAGUE, INC.
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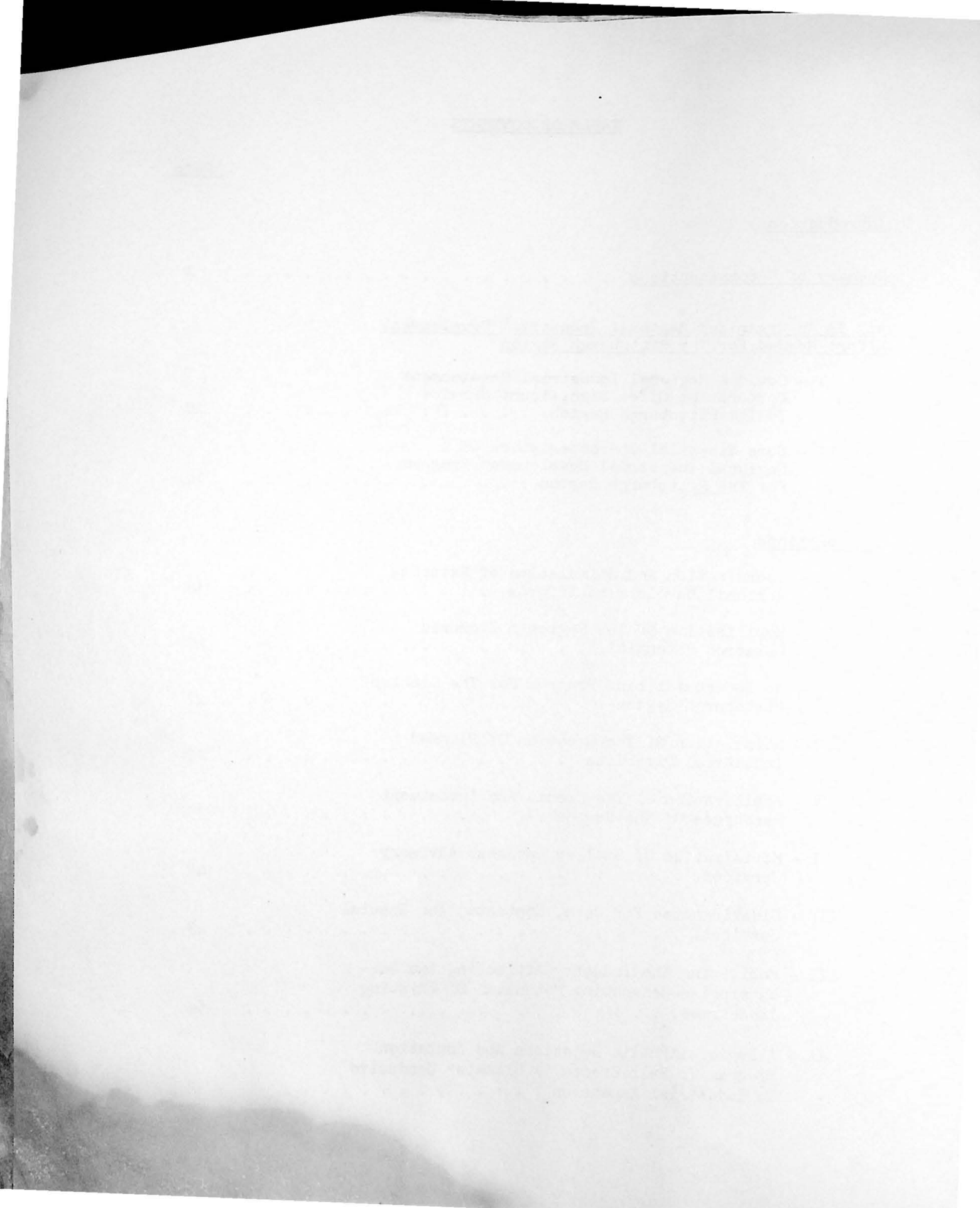


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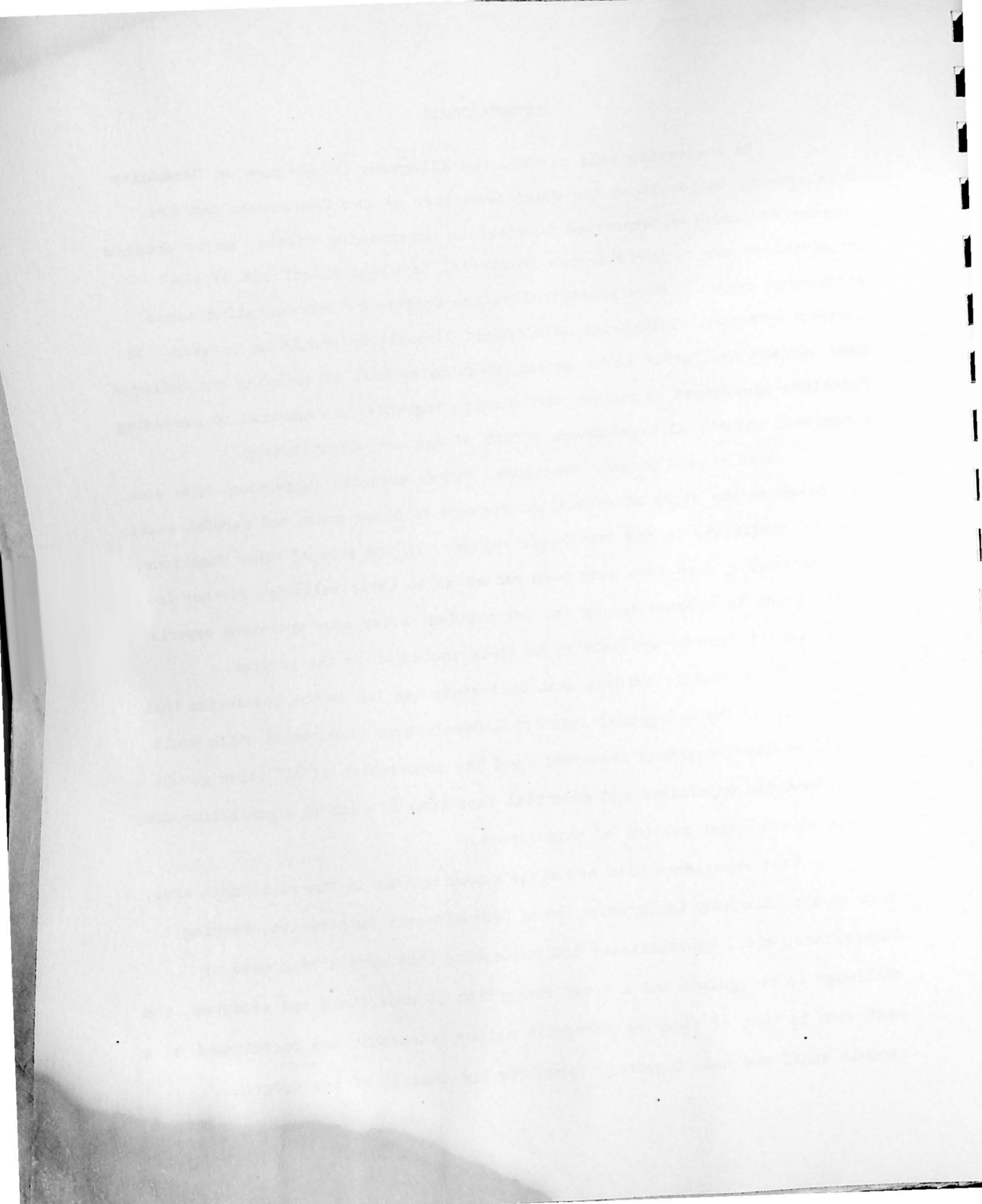
INTRODUCTION

In requesting this survey, the Allegheny Conference on Community Development, on behalf of the Joint Committee of the Conference and the Chamber of Commerce, expressed interest in determining whether major changes or additions are required in the industrial development efforts of the Pittsburgh region. More specifically, the Conference communication asked whether a Regional Industrial Development Corporation should be created. We have assumed the intent to be an organization capable of carrying out selected functions considered as new or revitalizing ingredients essential to producing a regional industrial development effort of maximum effectiveness.

With regard to many functions, rather specific suggestions have been made based on the study of effective programs in other areas and careful evaluation of conditions in the Pittsburgh region. In the case of other functions, only penetrating questions have been raised as to their validity; further intensive study is recommended by the Corporation, after some operating experience, before final decisions are made as to their inclusion in the program.

It is readily evident that this study has led to the conclusion that there is a need for a Regional Industrial Development Corporation which would attract top-level business leadership and the cooperation of all other groups. The recommended objectives and essential functions of such an organization are, therefore, the major subject of this report.

Past experience with new civic organizations in the Pittsburgh area, such as the Allegheny Conference, Urban Redevelopment Authorities, Parking Authorities, etc., substantiates the contention that once a real need or challenge is recognized and a broad conception is understood and accepted, the next step is that of securing energetic policy leadership and recruitment of a capable staff who can, together, formulate the details of the program.



SUMMARY OF RECOMMENDATIONS

The Need for an Organized Regional Industrial Development Effort

It is recommended that a Regional Industrial Development Corporation be created. Such a non-profit corporation, with functions as outlined in succeeding sections, could offer significant service to the Pittsburgh region.

The basic reasons for creation of a Regional Industrial Development Corporation may be summarized as follows:

1. It has been demonstrated that an organization coordinating the industrial development efforts of a natural economic region, whether it be a utility company or a community agency can be effective if tailored to local conditions, supported by the region's leaders and properly staffed.
2. Variations in effectiveness, functional deficiencies, and a lack of coordination exist among the agencies now participating in industrial development in the Pittsburgh region.
3. Industrial development activity is steadily becoming more competitive and complex, requiring a highly organized and coordinated approach both by individual communities and by regions.
4. No region can expect to obtain a fair share of the anticipated future expansion in plant facilities and jobs or even to retain existing facilities and jobs without careful mobilization of its industrial development efforts to capitalize on its assets, adjust to its handicaps, and eliminate or mitigate its alterable deficiencies.

Some of the essential characteristics of a sound regional industrial development program are:

1. Achievement of community confidence in the program because of sound objectives, prestige leadership, and high quality of staff effort.
2. Mobilization of existing agencies and new programs to achieve maximum effectiveness through reliance upon coordination and stimulation and limited supplementation of the efforts of existing agencies.

3. Independence of the industrial development organization from other organizations to avoid subordination of this substantial and unique field of activity.
4. Flexibility of program, because of volatile changes in industrial patterns and important alterations in conditions within the region.
5. A reasonably informal service area which would eventually include 8 to 10 counties for all efforts except those requiring use of capital funds.
6. No false expectations as to early results from what is primarily a long-range project.
7. Formulation of selected dramatic goals not only because of direct benefits but also because of their contribution to stimulating increased understanding of the region's objectives, and heightening of competitive effort.

Recommended Functions of the Regional
Industrial Development Corporation

I. Coordination and stimulation of the direct development agencies as the utilities, railroads, realtors, and local community groups help them achieve maximum effectiveness. Liaison with Federal and local government agencies and private organizations which contribute in any way to the region's industrial development. particularly essential that local community activity be encouraged because local conditions vary widely within the region, and because in the final analysis competition within the region to provide satisfactory industrial locations is essential. Likewise, the detailed job of company location within the region should be in the hands of the utilities and others who are experienced in rendering such service and have a direct business interest in the prospect.

II. Mobilization of all the economic research resources of the country, universities, industry, government agencies, labor unions, civic agencies, etc. It is not anticipated that the Corporation should

undertake detailed economic studies, but that it would sponsor, coordinate, and in some cases help arrange financing for such work by other agencies. A list of the various types of basic problems requiring penetrating study is included in the text. In broad terms, research is needed to establish clearly the difference between the real and mythical advantages and disadvantages of this area, and to guide establishment of sound objectives, programs, and projects. This wide assortment of basic research projects, not to be confused with the important routine data to be supplied prospects by existing development agencies, could benefit not only potential new industries but also all existing industries.

III. Promotion of a site acquisition and development program by utilities, railroads, realtors, new industrial developers and, if necessary, by the Corporation. While the primary need in the area is for improved packaging of land and building projects for industries, nevertheless, a reasonably extensive reservoir of desirable industrial sites must be held in friendly hands. Furthermore, at least a portion of these sites should be prepared ready-to-build sites. Of course, the actual evaluation of the industrial land supply at a given time is largely a question of definition which involves the elements of zoning, site size and topography, degree of preparation, price, access to various types of transportation, access to various utilities, etc. The present nonspeculative holdings of district railroads, industries, and others are significant. However, most of these tracts are completely undeveloped even as to grading. In any case, it seems likely that at least a nominal participation in land ownership by the Corporation will be necessary in order to exert a controlling influence on the pricing of industrial sites, to stimulate by

example proper site preparation investments, and to assure adequate long-range land reservations. Further study may indicate the need for financial assistance to certain developers to enable them to prepare their sites to make them more saleable. Such assistance could also come in part from the capital funds of the Corporation.

IV. Stimulate creation of industrial districts. The trends in industrial development strongly favor the community which has available one or more planned industrial districts offering a packaged program for smaller plants, warehouses, etc. The trend toward packaged offerings also applies to individual major plant developments on individual sites.

V. Mobilization of credit and capital of all types through existing channels to finance land acquisition and development, building ownership or leases, equipment and working capital for existing industries able to justify expansion or modernization, for newly created industries, and for industrial branch plant and warehouse prospects whose major facilities are located in other areas. An important need is that of creating effective contact between prospective creditors and prospective lenders or investors. The Corporation should provide the mechanism for arranging analysis of the full facts regarding individual situations, and stimulating the contacts necessary to exploit the full credit potential within the area.

There does not appear to exist any real need for a credit function such as performed by the New England State Development Credit Corporations. Even the need for a risk capital investment mobilizing mechanism is not clear-cut and will require further study. If, after a reasonable period of intensive study and experience, it is concluded that the investigatory, advisory, and financial planning and contact functions provided by existing agencies do not meet the need in certain risk situations, it may become

desirable to undertake the creation of a separate agency to make available, in one of several ways, now utilized elsewhere, investment type funds for risk situations.

- VI. Mobilization of smaller industry advisory services. There are indications that the smaller industries of the region could utilize and might accept a wide range of financial and management advisory services. It should be noted, however, that many financial services are now available but not fully utilized. It is recommended that this subject receive intensive study to determine the relative need, potential acceptance, and the best method or methods of providing for such services.
- VII. Offer central clearinghouse services for data, contacts, and special services to industrial development prospects who wish to evaluate the entire region before making detailed contacts with various utilities, etc. and for major prospects who may wish to work through a single agency on a confidential basis even during the detail phases. The data function should include a comprehensive map library, site data library, protected broker listings, wage and other labor data files, etc. The contact phase should include special corporation aid when needed in bringing together prospects with utilities, realtors, railroads, and other agencies most likely to fill their specific needs as well as supplying business, labor, and government contacts which may be important. However, in most instances, it is anticipated that the existing development agencies would be able to provide prospects with most of the site and community data, contacts, and special location studies once the prospect reaches the detail stage of his investigation.
- VIII. Stimulate and coordinate the mobilization of the industry-attracting and new-enterprise-generating potential of existing business organizations. Existing companies can provide considerable impetus to industrial development

through: (1) wise use of their reserve land holdings, (2) judicious use of their executive-level contacts with industrialists in other areas, (3) technical advisory services to suppliers and industrial consumers of their products, (4) research leading to creation of new products, (5) training of technical personnel who ultimately form their own enterprises in the region, and (6) diversification of their own activities through acquisition of other companies or new product ideas.

- IX. Experienced guidance for the development of an effective over-all public relations and education program within the region to create a "climate" conducive to sound industrial development. For example, local community foundations and industrial development corporations will require assistance in the formulation of their programs. Also, considerable liaison will be required with public officials to make known the effect of such actions as sound planning and zoning, adequate municipal services and facilities, sound municipal finances, and a cooperative community attitude on the success of industrial development in their communities. A broad public relations program directed particularly to briefing the leadership elements of industry, labor, and government within the region is required in order that they may properly represent the Pittsburgh region in all their working contacts within and outside the region. Some elements of this public relations program will include candid outlining of regional deficiencies, differentiation between facts and myths about the area and its competitive relationship to other areas, publicizing of successful developmental efforts and techniques utilized here and elsewhere, etc.
- X. Coordinating and consulting with the region's development agencies on their advertising, personal contact, and other promotional efforts. It is recommended that no reliance be based upon a paid advertising campaign

directly sponsored by the Corporation. It is felt that the existing development agencies such as the utilities, plus other businesses now located in the area such as banks and major industries could in numerous ways devote some of their advertising and other promotional efforts to promotion of the Pittsburgh region as a desirable industrial location. Mailing of informative brochures and other material on the area by existing development agencies to industrial location decision-makers should be encouraged by the Corporation, and, where necessary, counselled. Capitalization on the intimate personal contact promotion of the area by properly briefed business, labor and government leaders should be strongly emphasized. Once prospects are uncovered, the technical personnel of the Corporation and particularly the other area development agencies can take over to serve the prospects in detail.

- XI. Adopt a policy that the Pittsburgh region, in general, does not require subsidies of any kind. It is recognized, however, that for depressed or badly handicapped individual communities within the region, limited concessions or subsidies may be justifiable. In such cases, the local community must evaluate the cost vs. the benefits, make its own decision, and raise its own funds. The Corporation can assist in such instances by counselling as to the most productive and least damaging types of concessions.
- XII. Adopt a selective approach as to the types of industry which will be emphasized in future expansion efforts. To some extent this selectivity must be guided by the unique advantages and deficiencies of the region. However, to a considerable degree, it can be based primarily on the economic objectives which the region's leaders wish to achieve. Detailed discussion of the many bases for selectivity in Section XII is supplemented by Appendix V which offers a preliminary listing of selected

types of industry best suited for accent in the region's expansion efforts.

Board of Directors

The recognized business leaders of the region must recognize, accept, and support with the full weight of their influence, this challenging opportunity. Otherwise, the effort is doomed to insignificant results.

The nature of effort dictates the recommendation of a board of directors of top business leaders. Selections should be based on demonstrated interest in the objectives of the effort, a regional perspective, and the potential for making special contributions in one or more phases of the Corporation program.

It will be essential for the Corporation staff and policy leaders to establish effective, though informal, liaison with labor, government, realtor, smaller manufacturer, utility, railroad and other leaders and to utilize these individual and group contacts for policy advice and technical assistance to full potential.

Staff Requirements

It should be unnecessary to emphasize that the staff of the Corporation should be of the best quality obtainable. Initially, it is recommended that at least three key positions be provided: Executive Director, Research Director, and Site Development Engineer (plus office staff).

Subsequently, other positions will no doubt become necessary. Growth beyond the basic staff will depend on many factors which are too uncertain to permit evaluation at this time.

Operating and Capital Budgets

Only when preliminary decisions have been reached as to Corporation functions and staff requirements will it be possible to prepare a really meaningful operating budget estimate and a capital budget forecast.

A rough lump sum estimate of from \$50,000 to \$75,000 is presented as a minimum requirement at this time, based primarily upon the basic staff composition outlined earlier. Although experience in other communities can offer some guide, there are no agencies with which the proposed Corporation's program and budget is directly comparable.

It is recommended as a preliminary to final deliberations on the operating budget that the total annual expenditure by all agencies of the region chargeable to industrial development activity should be evaluated to place the proposed Corporation budget into proper perspective.

An illustrative capital budget is presented but only to demonstrate the type of program which might be undertaken and not as a definite recommendation as to either the initial or ultimate scope of the Corporation's capital fund program.

Incorporation

It is recommended that the regional organization be incorporated as a non-profit Corporation.



A. IS AN ORGANIZED REGIONAL INDUSTRIAL DEVELOPMENT

EFFORT NEEDED FOR THE PITTSBURGH REGION

I - COULD A REGIONAL INDUSTRIAL DEVELOPMENT

CORPORATION OFFER SIGNIFICANT SERVICE

TO THE PITTSBURGH REGION

II - SOME ESSENTIAL CHARACTERISTICS OF A

REGIONAL INDUSTRIAL DEVELOPMENT PROGRAM

FOR THE PITTSBURGH REGION

I - COULD A REGIONAL INDUSTRIAL DEVELOPMENT CORPORATION
OFFER SIGNIFICANT SERVICES TO THE PITTSBURGH REGION

If a Regional Industrial Development Corporation were created for the Pittsburgh region to perform the functions outlined later, it could make many significant contributions to the economy of the region for the following broad reasons:

1. Elsewhere, regional industrial development organizations, specially-tailored to local conditions have been reasonably successful to the extent that success in such a field can be measured. It should be recognized, however, that none of the organizations analyzed during this study met in all respects, or even in major characteristics, the design of the organization which seems required for the Pittsburgh region. (See Appendix I)
2. There are apparent in the programs of the many existing agencies engaged in industrial development work in the Pittsburgh region broad variations in effectiveness and some important functions which are not being performed at all within the region.
3. There is a noticeable lack of effective coordination between the various agencies participating in industrial development in the Pittsburgh region.
4. A common characteristic of all areas which have been measurably successful is that a single agency has, by default or design, assumed the role of coordinator of the area-wide industrial development effort. In some of the most successful situations this focal point or coordinating function is being performed by a utility company whose service area happens to coincide with a natural economic region.
5. Pittsburgh's mixed utility situation precludes reliance on a utility company as the focal point or coordinating agency. Furthermore, where utility companies have undertaken the role of coordinator in a region they express the opinion, based on their experience, that they have less coordinating leverage with the other industrial development participants than would a community-type agency.
6. Both on a local and regional level it has been clearly demonstrated that a coordinating agency having community-wide confidence is needed to gain the broad support of the many community groups who are traditionally aloof from industrial development efforts unless a crisis develops or a special effort is organized, but who, nevertheless, are most essential to the success of an industrial development program. The un-coordinated efforts of many agencies no matter how individually

effective cannot produce the regional impact of a coordinated effort by all agencies, conscious of carefully selected mutually beneficial objectives.

7. The subject of industrial development in its broadest sense is steadily becoming more complex. Likewise, the beneficial impact of well organized efforts and the deteriorating impact of a lack of action of communities and businesses within those communities is steadily becoming more potent. For a major industrial community, occasional attention to industrial problems and opportunities is not enough; an organized approach is essential if an area is to compete effectively with other industrial centers and, in fact, if it is merely to keep what it already has.
8. Nationally there is the prospect of tremendous investment in new industrial facilities and a steady increase in the number of jobs as a result of research developments and growing population. The new facilities and jobs will not automatically distribute themselves in proportion to the present distribution of facilities and employment - in fact, the trend is toward locations away from existing industrial centers. Therefore, if the Pittsburgh region is to get just its fair share of future new plants and jobs and retain in good health those facilities and jobs it now has, it is going to have to mobilize its total resources to compete effectively with the attractions of the new areas and the offerings of other established industrial areas which are gradually recognizing the challenges to their economic strength.

What is the basic challenge facing an organization created to sustain and improve the economic well-being of a major industrial region?

Perhaps it can be simply stated - though not simply achieved - as the challenge to mobilize and utilize the talents of the leaders and the people of the region to their full economic potential for their mutual economic and social benefit.

This challenge is all the more potent because it must be met in the face of dire predictions by at least a few economists and others who point to the Pittsburgh region as one of the potential long-term "soft-spots" in the nation's economy.

In order to bring the challenge more clearly into focus, decisions will be required on a number of more precisely defined and more tangible

objectives which the challenge implies. What are some of these potential objectives? Which should dominate the program?

Sound Growth in Population and Income

A study in the American Sociological Review, February 1946, shows an over simplified yet interesting picture of the pattern in growing cities vs. stationary cities.

PERCENTAGE INCREASE OR DECREASE IN
SELECTED ITEMS, 1930 TO 1940*

<u>Items</u>	<u>Growing Cities (% Change)</u>	<u>Stationary Cities (% Change)</u>
Population	7	- 1
Total Construction Value	22	- 41
Residential Construction	125	- 10
Nonresidential Construction	- 17	- 58
Retail Sales Volume	- 7	- 23
Number of Retail Stores	12	4
Retail Employment	12	- 9
Public Transportation**	3	- 8
Bank Debits	- 9	- 27
Tax Rate	10	66
Per Capita Gross Debt	- 36	- 20
Leadership (Population Aged 30-44)	0.3	- 4

It should be emphasized that the population growth for the growing cities was certainly moderate when compared to the boom growth of some communities in recent years. This indicates that the rate of expansion need not be spectacular to show benefits. Furthermore, actual increase in population is not the only factor which might induce such benefits - another potential stimulus is a proportionate increase in the real income of the population. Real income increases, in turn, can be induced by increased seasonal and cyclical stability of employment as well as by pay increases. Finally, it should be noted that population or real income growth for communities are not inevitable, they are largely in the communities' own hands.

*Based on American Sociological Review, February, 1946.
**Number of revenue passengers.

It would appear that the Pittsburgh region can afford to take the time necessary to evaluate carefully the selective type of industrial expansion and improvement of employment opportunities it should hope to and can reasonably expect to achieve. Certainly, the Pittsburgh area is not a crisis area and thus should not be stampeded into measures or acceptance of prospects which are not carefully tuned to its long-term objectives. Results in terms of new or steadier jobs should not be expected too soon. The program must be recognized as a continuing long-term effort.

There is no value per se in mere population increases*. For this reason, an increase in the quality of both existing and new employment opportunities should be the keynote of the Pittsburgh program. From the standpoint of wage rates, the Pittsburgh area is already a high rate area. But from the standpoint of job stability much remains to be achieved. Cyclical unemployment patterns of existing major Pittsburgh area industries require that additional diversification in type of employment be stressed. Seasonal and strike unemployment, while less spectacular than cyclical losses, are nevertheless very real and require attention. Only a selective approach to sustaining the health of existing industries and stimulating creation of new industries will achieve this goal.

*Generally the healthiest increase pattern is one in which the young people completing their education and those employed with special skills are retained in the area (and other skilled persons attracted to the area) by good opportunities rather than forced to migrate to seek employment. The worst increase patterns are those resulting from helter-skelter immigration in a boom town atmosphere.

II - SOME ESSENTIAL CHARACTERISTICS OF A REGIONAL INDUSTRIAL
DEVELOPMENT PROGRAM FOR THE PITTSBURGH REGION

Achievement of Community Confidence

The region's industrial development program and all those participating in it must gain the confidence of all elements of the community. Without established confidence in its objectives, the prestige and soundness of its leadership, and the high quality of its efforts, the program will achieve little of significance.

Mobilize by Stimulation and Coordination

All indications point to the willingness of most existing agencies of the region to participate to their full potential in a coordinated industrial development effort under proper leadership; not because it is something nice to do from a vague community-benefit standpoint, but because of a recognition that the intelligent self-interest of all groups and individuals is involved - admittedly with varying degrees of benefit and with varying needs for stimulation and coordination of their individual efforts.

In such an atmosphere, stimulation to action through candid appraisal of problems and changing patterns, and clear definition of opportunities together with a modest amount of central coordination of efforts by existing agencies is all that appears needed as a new ingredient.

This effort can readily capitalize on the physical achievements, example of established confidence, and the spirit behind the community development program now in process under the leadership of an agency specifically created to stimulate and coordinate that program.

Independence

There is no available model for the type of organization specified in the following sections. Nevertheless, the sum total of observed experience elsewhere and analysis of conditions in the Pittsburgh region leads to the conclusion that the region-wide industrial development and coordinating effort is a big enough and unique enough job to justify the creation of a new and independent agency.

Flexibility

Flexibility in the program of the Regional Industrial Development Corporation should be accented because of the essentially promotional and coordinative nature of its function and because of the volatile changes which occur in industrial patterns within the span of only a few years. Thus, the proposals for functions are intended only as a guide to the directors and staff of the proposed Corporation. It will be their first responsibility to plan the scope and timing of the Corporation's initial program, and to constantly adjust it as new conditions are encountered within the framework of clearly defined basic objectives.

The service area of the new Corporation should be reasonably flexible as regards area promotion and coordinating and advisory efforts. However, with regard to financing of sites, etc., the area served should be clearly defined and restricted to perhaps the four-county standard metropolitan area, at least initially, i.e., Allegheny, Beaver, Washington, and Westmoreland Counties. For the coordinating, advisory, and area promotional program it is suggested that the counties of Armstrong, Butler, Fayette, Greene, Lawrence, and perhaps Indiana be added.

Time Requirements

Concrete results should not be expected too quickly from an effort with primarily long-range objectives. On the other hand, the continuing efforts of the existing developmental agencies should continue to yield a reasonable flow of benefits during the period in which the regional Corporation becomes fully effective and, in turn, stimulates improved efforts by all other agencies.

Selected Dramatic Goals

Any industrial or community development program has many humdrum phases which are sometimes more important in their lasting effect than other more dramatic phases. But dramatic achievements like Point Parks, and Gateway Centers pay off in attention both from the home folks and outsiders. These dramatic tangible evidences of improvement are an important ingredient in achieving understanding of the over-all objectives of an improvement program. They are stimulating to continued effort.

There is an equally important need for dramatic goals and their ultimate achievement in an industrial development program. They can take the form of being or becoming the home of the "largest" or "finest" producers of selected products, or the "capital" of such and such type of research, or the place where pioneering on industrial land policies and new ideas in industrial districts take place, etc.

Such distinctions, properly publicized, can have very subtle but important effects on industrial investigations and decisions. It must be remembered, however, that negative distinctions also can become deeply implanted in the minds of industrial decision makers - many times distorted by the manner in which they are reported and some of them lingering on after their basis in fact has died. Usually such negative distinctions can be buried

only by bringing up positive distinctions which directly contradict them and not by mere publicity that "it ain't so."

Thus, it would appear important for the Pittsburgh region to establish selected new distinctions as goals. Naturally these distinctions should be selected primarily because of the direct benefits which would arise from their achievement but not unmindful of their stimulating value to the region's competitive efforts.

B. FUNCTIONS

I - COORDINATION AND STIMULATION OF EXISTING
REGIONAL DEVELOPMENT EFFORTS

promotion of proper zoning legislation, and in some cases the provision of capital funds through a locally organized agency will be an essential and desirable mechanism.

Liaison with Other Agencies

Practically every major community and governmental agency in the region can contribute significantly to the industrial development program. Individual close contact must be maintained with all government agencies operating in the region and with major community agencies.

Federal Agencies

The Federal agencies operating in the region can be of assistance primarily in providing important statistical data on the region together with comparisons with other areas. The offices of the Department of Labor and the Department of Commerce are the principal ones involved. Also involved will be the relationship with selected agencies such as the Small Business Administration, the Housing and Home Finance Agency on redevelopment projects, etc.

State Agencies

There is a great diversity of activity in various states by departments responsible for industrial development. The most common activities are:

- a. Preparation of industrial brochures.
- b. Assistance to communities on their development programs.
- c. Advertising.
- d. Local economic surveys.
- e. Tourist and recreation industry publications.
- f. Natural resource studies (water supply, minerals, flood control, forestry).
- g. Preparation of industrial directories.
- h. Individual data survey for industrial prospects.
- i. Field representative contacts and assistance.

The Pennsylvania Department of Commerce, in conjunction with other State agencies and affiliated universities, provides many of the above services

to some degree. In comparison with some of the more effective large state programs such as in New York and California, the Pennsylvania effort is generally considered to be quite routine and in need of revitalizing. The bases for such an evaluation are:

- a. The scope and quality of services rendered to companies and communities.
- b. The volume and quality of studies and publications. For example, are statistical compilations up to date and well organized?
- c. The quality of research and field personnel.
- d. The over-all industrial development results achieved within the State.

The Regional Industrial Development Corporation should maintain close contact with the Department of Commerce and with other State agencies where direct contact seems desirable in order to: (a) obtain leads on industrial prospects, (b) obtain assistance on economic and natural resources research, (c) obtain technical assistance on corporation tax and other problems affecting industrial prospects, and (d) encourage improvements in the State program of publications, research, and assistance to communities and industrial prospects.

Local Governments

Effective contact with local government agencies is of great importance because the actions of these units impinge so directly upon the individual industrial facility. The quality of community facilities and services for companies and for their employees is a major factor in encouraging industrial location in a specific area. Adequate zoning, building, and other controls and the soundness of local finances and the existence of an "aura" of good government are essential.

The economic base of a community is a primary factor affecting all other community planning studies. Conversely, community assets in the form of high quality services, adequate controls, and sound finances are a determining factor in the long-range strength of the economic base.

Such efforts as the strengthening of county, regional, and local planning commissions are extremely significant since it is these agencies that can provide much of the basic data and research needed to carry out a sound industrial land program and to permit proper servicing of industrial location or relocation prospects.

A number of studies have revealed the impact of adequate services and an attractive community atmosphere on the productivity of employees and the morale of executives. In fact, many industries have moved ahead of community legislative requirements in providing well planned aesthetically satisfying buildings and grounds for their operations. Thus, communities which fail to recognize this trend must soon face the fact that they cannot compete with areas which have taken steps to provide the kind of basic services and facilities as well as cultural and aesthetic conditions desired by modern industry.

This phase of the activity can best be carried out by local community industrial development organizations. The Regional Industrial Development Corporation should encourage the formation of such agencies and their participation in community development as well as strictly industrial development projects.

II - MOBILIZATION OF THE REGION'S ECONOMIC
RESEARCH POTENTIAL

Such efforts as the strengthening of county, regional, and local planning commissions are extremely significant since it is these agencies that can provide much of the basic data and research needed to carry out a sound industrial land program and to permit proper servicing of industrial location or relocation prospects.

A number of studies have revealed the impact of adequate services and an attractive community atmosphere on the productivity of employees and the morale of executives. In fact, many industries have moved ahead of community legislative requirements in providing well planned aesthetically satisfying buildings and grounds for their operations. Thus, communities which fail to recognize this trend must soon face the fact that they cannot compete with areas which have taken steps to provide the kind of basic services and facilities as well as cultural and aesthetic conditions desired by modern industry.

This phase of the activity can best be carried out by local community industrial development organizations. The Regional Industrial Development Corporation should encourage the formation of such agencies and their participation in community development as well as strictly industrial development projects.

II - MOBILIZATION OF THE REGION'S ECONOMIC
RESEARCH POTENTIAL

II - MOBILIZATION OF THE REGION'S ECONOMIC

RESEARCH POTENTIAL

Basic Economic Research

Basic economic research is required on the region and its economic character and potential. Such research should include:

1. Creation of a composite picture of the fundamental industrial and over-all economic characteristics of the region. Not a fuzzy academic study but an organized collection of information on the production and consumption pattern of the region, including a detailed picture of how the individuals and corporations of the region derive their income, an analysis of seasonal and cyclical trends and their effect on employment by industry, etc. These studies would form a basis for developing a sound program for sustaining and expanding the income and values of the region. They would also help segregate the myths from the facts of the area as a first step in eventually correcting both local and outside misconceptions about the area and, at the same time, candidly placing the region's problems on the table. The recently completed studies on The Economy of New England are an excellent illustration of some of the types of studies indicated above.
2. Assembly of more detailed data on all major industries as to source of supply of raw and semi-finished materials, labor skill requirements, utilities supplies and cost factors, transportation costs, market patterns, satellite vs. basic producer relations, regional concentration of existing production (localization factor*), etc. This information to be used as a basis for a comprehensive analysis of the Pittsburgh regional potential for attraction or expansion of various types of industries.
3. Examination of new products and processes with growth potential to determine the extent to which they might be exploited in the Pittsburgh region.

$$\frac{\frac{\text{*Manufacturing Type Employment Pittsburgh Region}}{\text{Total Pittsburgh Region Manufacturing Employment}}}{\frac{\text{Manufacturing Type Employment, United States}}{\text{Total Manufacturing Employment, United States}}} = \text{Localization Factor}$$

National average for any type industry = 1.

4. The development of improved yardsticks for comparison of the Pittsburgh region with other regions which are its major industrial competitors. Such a study would be an additional aid to correcting misconceptions about the competitive strengths and weaknesses of the Pittsburgh region. This would include, for example, case studies of industries recently "scared away" from the Pittsburgh region because of real or alleged handicaps. Also, the degree to which certain handicaps can be mitigated or eliminated should be studied.
5. Detailed examination of recent unemployment patterns, the skills of the unemployed, etc. This phase of research will require intimate collaboration between the staff of the Regional Development Corporation, research personnel of local corporations, university business research personnel, and selected government statistical personnel (Federal Reserve Bank, State Employment Service, etc.).
6. Analysis of the existing "product mix" of major industries in the region in relation to national patterns, consumption trends, etc.
7. Origin and growth patterns of new enterprises in the Pittsburgh region.
8. Movements of companies within or out of the region to obtain more efficient modern facilities and for other reasons. The effect of such movements on the facilities "left behind."
9. Local and State tax case histories to demonstrate the varying impact of these taxes on different types of companies and to permit sound comparisons with the situation in other states.
10. The types of effort being made by the industries of the region to flatten seasonal fluctuations in production.
11. The extent to which non-cyclical equipment purchase planning based in turn on accelerated technological obsolescence, easier equipment financing, and rising labor costs as a percentage of total costs, can aid the region's capital goods manufacturers.

Selected Raw Materials and Environmental Research

Existing corporations as part of their own independent operations will cover most phases of local resource research and development. However, selected investigation of geological, forestry, soil condition, water and air pollution conditions, and similar data will require assistance of State departments, the Mellon Institute, etc.

Industrial Land Surveys

The Regional Planning Association, county planning commissions, local planning agencies, and the utilities, railroads, etc., should as a priority project undertake a full scale survey of the local land supply, of industrial zoning needs, and related planning problems under the coordination and sponsorship of the Corporation.

Industrial Transport Patterns and Problems

A collaborative effort with all the industrial transport agencies to cut costs, delays, and damage and generally improve services. For example:

Origin and destination truck-trip studies to pinpoint delays induced by traffic conditions, inefficient loading or transfer facilities, etc.

Basic Community Facilities and Services Research

The Pittsburgh region has, in recent years, taken many steps to improve its community well-being and many of the results are clearly measurable. It is essential that the region continually analyze the various common measures of community well-being and, in fact, constantly attempt to improve the yardsticks for such measurements. Some of the more common areas for observation of community well-being are:

1. Housing conditions, relative quality, availability and cost for selected income groups.
2. Municipal services.
3. Municipal controls, such as zoning, building regulations, etc.
4. Educational, cultural, religious, and recreational facilities.
5. Degree of social unrest.
6. Welfare problems and facilities.

It is anticipated that such research will continue to be made by established agencies such as the Health and Welfare Federation of Allegheny County, Regional Planning Association, Allegheny Conference, Pennsylvania Economy League, Pittsburgh Housing Association, and by various State and local public agencies.

Specific Data for Prospects

The Corporation staff should not undertake collection of detailed data for industrial prospects but should rely on the existing industrial development agencies as well as other existing sources for such data. It should be recognized that the major problem with such data is that continual attention is required to keep them current. (See Section VII for more detail.)

Management and Financing of Research Projects

It is anticipated that most basic research related to industrial development can be carried out through cooperative arrangements between the many talented research resources already active in the region. Where necessary the Corporation should assume the role of coordinator. In limited cases it might undertake to do its own detailed research.

For certain projects of particularly great scope and/or outside the usual range of any existing agency interests, the research project and/or publication of its results may require financing. In some cases the results of the research could be sold to recover these costs. In any case, it is recommended that the Corporation consider the inclusion of a modest sum for "Contract Research" in its own budget. The Corporation funds should be used on a participating basis with interested corporation and foundation funds, and funds from the research agencies' own budgets, thus pyramiding their productiveness.

The intimate participation of university faculty members and students in selected instances should serve the added purpose of affording faculty and students an opportunity to become more realistically familiar than otherwise possible with industrial and community problems of the region.

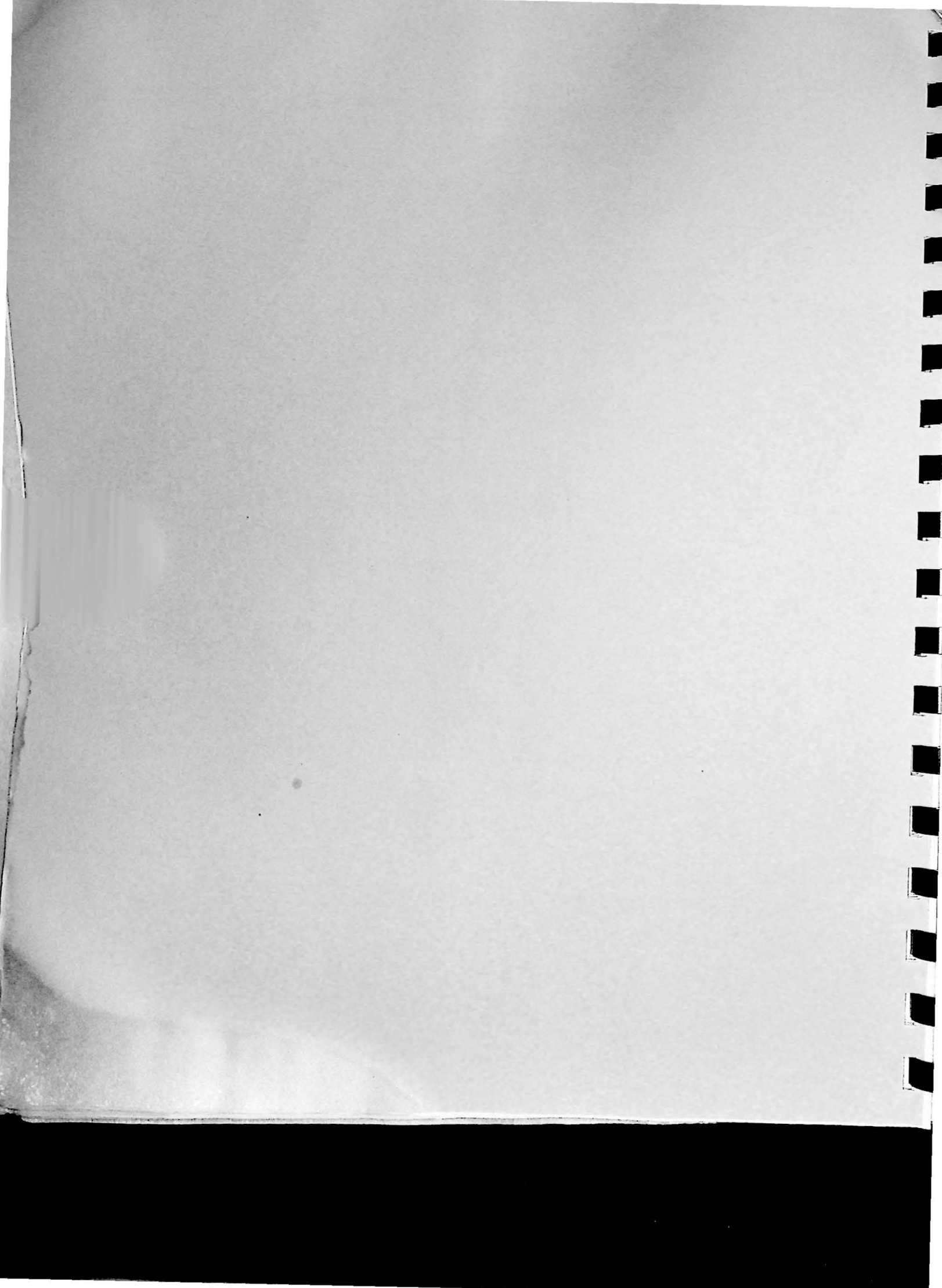
Many industries or associations of industries may find the research projects of sufficient direct use to them to encourage them to finance more detailed projects on their own. (For examples, see Appendix II.)

For basis research of all types, the proper publication and distribution of the information is essential if further stimulation is to result.

It is anticipated that agencies such as the Pittsburgh Federal Reserve Bank Branch (part of the Cleveland District) might publish selected items either of their own research or by other agencies in addition to the publications by the Cleveland office, in cases where widespread distribution of data on the more limited Pittsburgh region is desired.

Innumerable other channels including, in some instances, newspaper articles will be appropriate for dissemination of various research material.

Finally, it should be noted that data gathering of itself can be overdone. It is relatively inexpensive, results are impressive especially to those unfamiliar with library and other resources and research processes, and it scarcely ever gives positive offense to anyone. Thus, careful selectivity and management of research projects is essential.



IV - STIMULATION OF THE CREATION OF PLANNED
INDUSTRIAL DISTRICTS

Why Planned Industrial Districts for
the Pittsburgh Region

The major reasons why more aggressive development of industrial districts in this area should be pressed are:

1. Planned industrial districts offer strong competitive advantages in attracting branch plants and warehouses. They also help in promoting the transfer of existing industries to more efficient facilities, and the provision of more efficient trucking terminals. Finally, they can provide efficient yet flexible facilities for embryo companies.
2. Over the long run, the provision of industrial districts, as well as sound planning of individual major plant locations and layouts, will minimize community costs for provision of utilities and other public facilities and will maintain industrial, residential, and commercial values at a high level. Promiscuously located and poorly housed industries can yield nothing but hidden costs to company, community, and workers in such things as costly extra goods movements, uneconomic journey to work, uneconomic storage and servicing, inefficient utility connections, blighted adjacent land uses, etc.

The trend toward industrial districts is part of the broad trend toward: (a) large planned clusters of units including residential subdivisions and commercial shopping centers, and (b) packaged deals in all types of building - residential, commercial, and industrial. Even the construction of major plants, though not often within an industrial district primarily because of large land requirements, is largely tending toward a packaged arrangement for site selection, land acquisition, architecture, engineering, construction supervision, and even financing. Manufacturers are no more in the building business than the home buyer or the retailer; therefore, they welcome a neat package in place of a host of unfamiliar and complex problems.

The community which is not equipped to provide such services quickly and on a packaged basis will rapidly lose its competitive position.

How Can Industrial Districts Be Provided
in the Pittsburgh Region

Limited investigation yields the following reasons why development of industrial districts in this area has not been substantial as compared to other areas.

1. The topography is such that the number of reasonable cost sites located convenient to suitable railroad and highway connections is naturally limited.
2. Many sites with suitable location characteristics require an investment in grading and preparation which local realtors and other interests seem to be unable or unwilling to finance even though the opportunities appear to be sound investments.
3. The eastern railroads have been generally less aggressive in establishment of railroad managed industrial districts. Also, most plants with rail freight volume per acre sufficient to interest railroads in selling or leasing railroad owned tracts are large plants not suited to planned industrial development location, but rather typically are planned as an individual development. Recent moves in the Philadelphia, Baltimore, and New York areas, however, indicate a rising interest by the eastern railroads in industrial districts.
4. The utilities typically do not undertake manufacturing industrial district projects on their own, apparently largely because of the difficult public relations problem with areas other than that in which the project is located. There are, however, some good examples such as the Cleveland Electric Illuminating Company's Chemical Shore development at Ashtabula, Ohio.
5. The major efforts made to date in this area have been with warehousing-trucking districts developed by realtors. Such uses can afford a higher land cost than manufacturing facilities and thus speculative developments of this type have been more readily financed.

Future developments, other than the possibility of a pioneering district managed by the Regional Industrial Development Corporation, will most likely be undertaken by a utility, a railroad, a realtor, and private individuals or syndicates with substantial established credit, or a combine

of such interests. It should be anticipated that the major prospects will continue to be warehouses, branch manufacturing plants, trucking facilities, and smaller local manufacturing plants, and, in some instances, contractors' and heavy equipment maintenance facilities.

It is suggested that the following program be considered by the Corporation:

1. Initial efforts to develop the reasons why more industrial districts have not been established and to test the market for such districts.
2. Encouragement for establishment of several industrial districts by railroads, realtors, and others.
3. Assistance in mobilization of financing for at least several such well-planned undertakings as quickly as possible.
4. Experience in other areas shows that some group must usually undertake the first district project and demonstrate its advantages before the other existing agencies are willing to undertake such a project. If the efforts outlined above fail to yield results, the Corporation should undertake to develop a pilot industrial district unit.
5. Special encouragement should be given to the major corporations such as the steel companies in establishing and developing planned industrial districts which will utilize major quantities of their products. In many cases, these corporations own land areas which are, or with proper planning will eventually be, suitable for such purposes (principally waste material dumping sites).

Experience by railroads in other areas should be sufficient to convince at least one of the local railroads to attempt a district program.

Special districts such as clusters of trucking terminals and a modern produce and food market district deserve attention.

The problem of providing a location for an efficient rail-river-truck terminal appears to have been met adequately by the McKees Rocks Enterprises-Union Barge Line development. Gradual improvement of this facility is anticipated.



V - MOBILIZATION OF THE CREDIT AND INVESTMENT

RESOURCES OF THE REGION

Sound adequate financing will be required for a number of phases of the region's industrial development program. In the following sections the need for various types of credit and capital will be discussed. The extent to which the Regional Industrial Development Corporation should be concerned with these needs is also suggested.

The areas to be discussed are:

1. Financing of industrial buildings:
2. Financing of working capital, equipment, etc.
3. Mobilizing equity capital.
4. Financing industrial sites and site development.

In view of the character of the various needs and existing information on the resources of the community, it appears that the Corporation should perform at this time two major functions:

1. Intensive coordination and mobilization of existing local sources of credit and equity capital for all worthy situations. This would include stimulation of experimentation with new ideas in all phases of financial servicing of industry, particularly, smaller companies.
2. Maintenance of a capital fund for site acquisition and development projects but capable of expansion if future developments indicate the need of capital funds for other purposes.

Method of Mobilizing Existing Credit and Equity Capital Sources

In general, in order to effectively mobilize the credit and investment capital sources of this region, two ingredients will be essential:

1. The ability to secure sound analysis of the facts on the credit and capital needs of specific situations.
2. Effective contacts with credit and investment sources.

It is evident that many potential borrowers need assistance in preparation of sound initial proposals. Likewise, investigations beyond traditional limits of most commercial or investment bankers are often necessary to clearly pinpoint the need, the degree of risk, and the soundest financing package. Such intensive studies would determine, for example, such tender questions as whether management advice is the major need and not money.

Preferably, all financial, investigatory, counselling, and contact services should be provided by the staff of existing lending and investment agencies. The Corporation would thus act primarily as a referral or initial contact arranging agency. However, in view of the varying policies and scope of services of various local agencies and the fact that many smaller businesses have not yet learned to fully utilize those services which are offered, it may be necessary for the Corporation staff to participate indirectly in at least a portion of the transactions.

Of course, the staff of the Corporation in working with local credit and investment sources should encourage them to constantly broaden their own investigation and servicing of higher risk or otherwise unusual situations, to explore new fields for industrial credit or investment, and to publicize and gain recognition of the availability of these services by smaller companies.

The operation of the six New England State Development Corporations are regionally oriented and otherwise unique in their treatment of this problem. They are described briefly in Appendix III.

Is There a Need for a Credit Corporation
to Finance Industrial Buildings?

A majority of companies constructing new plants are in a position to negotiate all the details of financing through the typical credit channels. However, there are certain companies, particularly small organizations, which find it difficult or exceedingly expensive to arrange financing terms through

existing channels. In some cases it is due to the risk situation of the company; but in other instances it is due to improper presentation of the proposal for funds which discourages advances of credit or it may be one of any number of management weaknesses. In such cases, the company needs either or both: (1) financial or management guidance, or (2) financial aid of an above-normal risk type. It is particularly important to the Greater Pittsburgh Area that existing local corporations in need of new facilities to increase efficiency or for expansion be able to obtain such assistance. Also, of course, there will be industries desirous of locating in this area which may require some element of such assistance. The function of the Corporation as a credit intermediary, has already been discussed. At some future date, the Corporation might consider reserving a block of its capital funds for use in financing a risk percentage of the construction cost of standardized type factory buildings for lease to companies whose credit position is reasonably sound but requires some coverage of the high risk portion of the loan before existing credit agencies will touch the major portion of the loan. No such need can be substantiated in this region at this time, however, and therefore it is not recommended as a Corporation function.

In addition to the general community sources of building financing, it is anticipated that certain communities within the region will undertake the establishment of local funds or foundations to assist corporations in financing of buildings. Based on experience both within the region and in other areas, such foundations would be created principally where the other advantages of the community are not substantial and a competitive edge is needed. The Regional Industrial Development Corporation should encourage such efforts where they are soundly conceived along the following lines:

Building financing should be only for definite leases*. All such arrangements should include a sound purchase option plan, and should be based upon reasonable net lease arrangements for similar industrial buildings in the area in order to produce a fair return to the community foundation for its loan. If a tenant chooses to continue leasing the building and at the same time his credit position improves to the extent that the foundation's loan can be replaced by bank, insurance company, or other fiduciary financing, the foundation loan should be replaced by a commercial loan.

It should also be pointed out that at least for the present the risk portion of loans may also be forthcoming from the Smaller Business Administration either on a direct loan or a participating loan basis. Only two loans of any kind have been made to date by SBA in the immediate Pittsburgh area and thus this source should not be looked upon as a very extensive one.

Is There a Need for a Capital Fund to Provide
Equipment, Working Capital, and Similar Loan Funds?

Again it is suggested that existing credit sources, properly mobilized, should be able to meet all the needs in this area. The various banking organizations are constantly developing new methods for extending funds covered by collateral such as accounts receivable, field warehousing arrangements, etc. Equipment manufacturers are developing plans for equipment leasing.

Caution, of course, is important in such financing because there are still companies whose ability to weather tough competition is in doubt and such unsound ventures should not be artificially sustained.

The branch banking and correspondent banking movement and the constant broadening of lending policies and lending legislation under which various

*Construction of buildings without a specific tenant is generally considered to be unsound since almost inevitably some adaptations are required and primarily because it gives a potential tenant the upper hand in bargaining because he can always say that he will take it with certain alterations or lease adjustments, etc., all of which involve additional wasteful expenditures or losing concessions before the building finally produces a return.

financial institutions operate, point to the increased ability of banks, particularly and also other institutions to meet all the sound financial needs of industry, large and small.

The competition between banks in an area stimulates experimentation with new ideas. Certainly this region possesses a number of strong and aggressive banking institutions. Likewise the competition between banks and insurance companies for longer term loans and for the financing of buildings is growing increasingly more intense and to that extent the needs of the smaller companies should tend to be met with increasing ease. It was noted, for example, that at least one of the region's banks is providing special training for a selected group of its men to look more closely into business financing possibilities and problems and to sharpen their ability to plan financial packages in difficult situations.

Is There the Need for an Organized Source
of Equity Capital Funds for Existing and
New Enterprises in the Region?

There is substantial evidence nationally to indicate that certain desirable investment situations are not being served through existing investment mechanisms. Briefly, it can be noted that each year the efforts at the Federal level on behalf of small businesses include many proposals relating to financing of small businesses. Many of these bills would involve direct competition with private financial institutions - some of a far-reaching nature. In general, the efforts receiving most sympathy deal with the problem of investment and long-term credit for smaller industries. However, it should be pointed out that aside from the Small Business Administration Act, now in effect, providing for direct and participation loans, the sympathy of the Congress for any direct participation in such financing has been largely nonexistent.

On a more localized basis, the credit corporations in the various New England states have extended primarily long-term credit although in some instances the funds might be considered to be an equity investment.

Perhaps the most significant organized equity capital organizations are the American Research and Development Corporation, and the various private investment trusts such as the J. H. Whitney Company, etc. These private efforts have concentrated on equity investment in promising risk situations, and can provide much guidance and example for any additional such efforts which might be organized.

Regarding the Pittsburgh situation there are mixed opinions as to the amount and accessibility to equity funds for local industrial situations. Some stated that in view of the considerable equity funds leaving the area for investment in oil and other interests, that there is a sufficient pool of equity capital available in the region to finance any reasonably worthy venture. Others feel that the fund sources in the region are highly selective both as to type and quality of investment opportunities. These conflicting impressions must be replaced by facts gained through actual experience. Thus, it is recommended that the situation with respect to equity financing of existing or new local enterprises be analyzed in much more detail before it is finally determined whether it requires some form of organized effort such as the American Research and Development Corporation or the less formalized New Enterprises, Inc., also headquartered in Boston, which is primarily an investigating and screening agency.

It should be pointed out that the American Research and Development Corporation presently is expending at least 50 percent of its staff energies in locating and analyzing promising situations throughout the country - with only minor additions to its portfolio from time to time. Secondly, it should be clearly understood that all the examples of such corporations brought to our attention involve the requirement of substantial staff time devoted to management counselling of the executives of the various investment situations.

Under no circumstances should the Corporation itself engage in making equity investments from its own capital funds.

The Corporation should, on the other hand, adopt the main function of providing leads to companies in need of equity capital to investment counselling and investment fund sources. Additional functions might include preliminary investigative services such as suggested earlier with regard to credit need situations with unbiased data supplied to potential investors.

Finally, it is suggested that if the need for equity capital can be clearly demonstrated, a separate organization should be established to fulfill that need for the following reasons:

1. Most small companies look upon equity capital investment in a considerably different light than upon loans, and rightly so. Equity capital investment involves dilution of ownership and many small companies appear to be fearful of loss of ownership control if they obtain outside investment funds. This fear results in stunted growth for many companies with excellent prospects. In fact, considerable effort must be expended by profit-type risk investment companies in searching out and "selling" desirable prospects.
2. The degree of management advisory service required to protect equity capital invested in a small company is, in most instances, substantial. This has been the experience of such organizations as American Research and Development Corporation, J. H. Whitney Company, etc. While some limited advisory service to company managements may become a function of the Corporation in its position as an intermediary or credit mobilizer, the extent of investigation of prospects and initial advisory service is minor compared with that required thereafter in equity investment situations and would require a considerably different staff structure in order to effectively provide the necessary services.
3. Many equity investment groups, while their basic investment is in stock, usually attempt to obtain a creditor position through the mechanics of convertible debentures. On the other hand, some business development corporations, whose ostensible purpose is that of extending loans for site acquisition or buildings, sometimes extend themselves into a working capital loan position and some even attempt to obtain a limited equity position by an optional arrangement which maintains their creditor position while promising a considerably higher return if the company's growth is substantial. Thus, it would appear that the attempt

to delineate sharply between the activities of organizations making brick and mortar loans from those making investments in risk situations is difficult.

4. Creation of an investment service should take the form of a separate effort sponsored by banking and other financial interests, thus keeping the problem in knowing hands. Many companies need some reorganizing before they can attract money, particularly investment funds, thus requiring special investigation as well as advisory services.
5. The growing need for loan and investment outlets should result in an increased ability of most types of financial institutions to participate to a greater degree in risk situations. More particularly, individual investment funds would appear to be increasingly available if properly mobilized informally by the Corporation or by some new form of private risk investment corporation for small enterprises.
6. Actual pools are easily poisoned by the first loss which discourages added investments in the pool and discredits sound business using the pool. This is more important in profit-objective pools than non-profit community-objective pools.
7. Pools limit decisions on investments to the fund administrators thus discouraging financial cooperation and usually dampening efforts to mobilize all community credit and capital sources.
8. Non-profit community pools are tempted to loan money on insufficient investigation in relation to risk and to loan money rather than give management advice which may be the primary or even the sole need.
9. Investment capital, in particular, is needed for long periods. The money is not steadily returned as with a loan for reuse on a new project.
10. Many persons in the Pittsburgh area and elsewhere are convinced that risk capital can be mobilized by less formal means than creation of an organized pool.

Is There a Need for a Capital Fund for Site Acquisition Pioneering in Site Development?

There are now a significant number of sites owned or optioned by railroads, utility companies, realtors, and local community industrial foundations of the region. Also, to a limited degree, private owners are holding individual tracts specifically for industrial purposes. Several urban re-development agencies are processing land for ultimate industrial use. Finally,

various industrial corporations own tracts of land being reserved either for their own expansion or for use as waste disposal areas but subject to eventual sale or lease to desirable satellite industries.

It has been recommended that the Regional Industrial Development Corporation encourage additional planned site acquisition and development by all the above-mentioned agencies. Also, every effort should be made to secure effective industrial zoning for all existing industrial type tracts and also to plan for and secure the zoning of as much additional desirable land in the area for industrial purposes as possible regardless of the present status of ownership or land use.

It should be understood, however, that each of the agencies mentioned above acquired land for a limited and selfish purpose. Probably the broadest purposes are those of the local foundations or funds who are interested in attracting additional employment opportunities to their community. Next are the electric utility companies who desire to attract a broad variety of electric-consuming industries or industries requiring substantial employment and thus generating additional residential consumption. The railroads naturally do not wish to relinquish their sites to small tonnage companies and this, in fact, is desirable from a community standpoint since access to railroad facilities should be preserved for those companies requiring extensive rail service. Industrial relocators are typically interested in a reasonably quick turnover, although, in some areas, progressive realtors have been the leading figures in creation and development of planned warehousing and industrial districts. In the latter case, they serve a most desirable community purpose in addition to their usual commercial function. Finally, private land owners have a singular purpose of obtaining the greatest possible return from their property. In a limited number of cases, both in this area and more particularly elsewhere, some private owners have taken a progressive point of view and have carefully

planned and developed their sites, priced them reasonably, and have thus provided industry with desirable sites.

The Corporation should be able to promote an increasing effort by all the agencies mentioned on a better planned basis by establishing proper liaison with and between each of the groups, and by passing along information on experience elsewhere. Also, the Corporation should be able to work with the local industrial foundations to help them in planning site acquisition and obtain credit to supplement their own resources in undertaking such projects. All of the preceding, incidentally applies also to acquisition of existing factory buildings, particularly old and abandoned units assuming that their pricing is reasonable.

With all the measures just suggested, however, it would appear that the Corporation should undertake some site acquisitions and options of its own for the following reasons:

1. To assure the acquisition of an adequate short-range land reserve at reasonable prices. By acquiring several significant sites it should be possible for the Corporation to exert some pressure on the industrial land market to hold prices at reasonable levels.
2. In order to provide one or more model projects. For example, the establishment of planned industrial districts in other areas has mushroomed after the creation of the initial successful project. Since this area has lagged in planned development industrial districts, the Corporation should acquire, develop, and promote at least one site as a model to other agencies in this area.
3. To provide seed money to other developers on tough projects. Thus, should one or more industrial realtors plan a pioneering development and be unable to secure adequate financing, the Corporation should be in a position to advance some portion of the investment so that the project may proceed.
4. There are in the area desirable sites now in industrial or municipal ownership which may, for various reasons, be thrown on the market and which might get into speculative hands. The Corporation should be in a position to acquire such holdings and assure their proper development and pricing.
5. Future redevelopment projects which create new industrial sites will require the existence of an established redeveloper to acquire the cleared sites and secure suitable tenants.

6. Should it become necessary to utilize the legal powers of Urban Redevelopment Authorities for the assembly of a number of parcels, the Regional Industrial Development Corporation may be required to become the developer and provide the necessary capital.

In all such projects, the Corporation should attempt to keep its funds revolving as often as possible by transfer of its ownership obligations to banks and other financial agencies as soon as possible. All transactions should be made on a basis which will yield a fair return on the investment made by the Corporation in relation to the fair valuation of services, financial and otherwise, which it may render. All land sales should yield a fair return consistent with fair pricing of industrial land in the local market and consistent with the policy of maintaining adequate long-range reserves of properly zoned land in nonspeculative or otherwise friendly ownership.

Development of Sites

The need for funds and potential sources of funds for development of sites should follow the same pattern as that outlined for advanced site acquisition.

It should be noted that most sites in the Pittsburgh area are either raw land or are developed only to the extent of having certain utilities available at or near the boundary line. Many such undeveloped sites can be successfully marketed and it would not be desirable to carry development further until a tenant is assured. However, some industrial districts are essential if this area is to capture certain types of industries and branch facilities which tend to be attracted to areas which offer well-planned industrial districts ready for immediate construction.

It should be realized that where the Corporation undertakes direct or participation financing of a planned industrial district, it will be subjected to varying pressures regarding selection of the pioneering site or sites. These pressures will be exceedingly strong. The prospect of these

pressures may effect the means of providing proper funds for the Corporation since certain groups such as the railroads may be reluctant to contribute capital funds unless they know that at least a proportional share of funds contributed will be used for land acquisition or site development along their right-of-way.

The Place of Local Community Funds or Foundations
in the Credit Mobilization Effort

It is suggested that any local community funds or foundations created within the region should restrict themselves to extending credit for site acquisitions and, in some instances, for assistance in financing of buildings on a participation basis with local banks, etc. It is anticipated that the Regional Industrial Development Corporation can contribute much to the proper organization of such foundations in various communities in the region. Of course, these local community organizations could, if their judgment dictates, extend funds for working capital loans or even make investigations of an equity interest in prospective local industries or local industries in particularly depressed circumstances.

VI - MOBILIZATION OF SMALLER BUSINESS ADVISORY SERVICES



VI - MOBILIZATION OF SMALLER BUSINESS ADVISORY SERVICES

Do the Smaller Manufacturers Need and Will They Accept Advisory Services?

There are a number of indications that the smaller businesses of the region require advisory services. These include:

1. The rather widespread opinion among financial people that some of them need management advice more than they need money.
2. The demonstrated inability of many smaller businesses to prepare sound proposals for new credit or other financing.
3. The existing efforts by the Smaller Manufacturers Council, the Small Business Administration, the universities, and other agencies to establish courses for present or prospective owners and managers of smaller businesses.
4. Indications that in other areas of the country this problem has been recognized and a variety of programs instituted.
5. The experience of the various small business investment capital companies such as American Research and Development Corporation, the J. H. Whitney Company, etc., in that management and financial advisory services absorb more than 50 percent of their total staff time and that even the most successful of their investment interests require at least some advisory or counselling services from time to time.
6. The experience of management consultants in dealing with large, well-staffed, well-financed organizations which nevertheless find counselling and consulting services desirable.

Obviously the foregoing list is only a general basis for concluding that the smaller industries of this region could profit from advisory services.

The next question which occurs is to what extent will smaller industry manufacturers accept advisory services. There are indications of considerable reluctance on the part of many to accept existing service offerings of such institutions as banks, which in large measure, are in a position to provide practically any type of financial advisory assistance or to arrange contacts with others who can provide additional help. There

does not appear to be any single basis for this reluctance, or what in some instances may be a lack of knowledge of available advisory service offerings.

Thus, what appears to be needed as a first step is an intensive case-history type study of precisely what kind of advice is most needed by the smaller industries of this area to improve their competitive effectiveness, ability to expand, etc. This study should also develop the precise nature of any reluctance or other reasons for failure to use services already available and the probable acceptance of any new services.

Should a significant need for and a willingness to accept advisory services be indicated, the next question would be which agency or agencies might best provide the various types of services and at what cost, if any.

It is anticipated that any program of advisory service would involve the use of many resource persons and agencies. For example, undoubtedly the financial institutions of the region will continue to expand their advisory services to smaller businesses. The present services are rendered without charge and perhaps this accounts for their not being valued as highly as they might be. On the other hand, the banks and other institutions anticipate other direct benefits as a result of such assistance.

Improvements in the scope of financial advisory services by the commercial banks, Federal Reserve Bank, and other financial institutions for smaller businesses will, of course, be one objective of the Corporation in performing its "mobilization of credit and capital resources" function.

A more difficult area is that of management advisory services where no established pattern now exists, and where the major current efforts are in the nature of courses and to a limited degree the informal advisory assistance gained by smaller manufacturers through their trade associations or from their suppliers and customers. The utilities and others also contribute

valuable assistance to smaller companies planning relocation to more efficient modern facilities or modernization of existing facilities.

The management consulting firms who service the larger corporation accounts have not been attracted to the smaller industry consulting market. Likewise, no management consulting firms appear to have been established to serve specifically the smaller manufacturing group. This is not surprising due to the previously noted apparent reluctance of many smaller business manufacturers to utilize advisory services, and due to the tight financial condition of many smaller enterprises which mitigates against substantial outlays for advisory service.

Perhaps the Corporation can interest some of the management consulting firms now servicing this district to provide, on an experimental basis, selected advisory services to smaller companies. This might involve use of their younger, less expensive staff personnel. They might also establish fee payment plans on a credit basis.

The Corporation may also be able to interest a selected group of skilled individuals now employed by local corporations to undertake counselling of smaller enterprises as an experimental activity on a limited fee or a contingent fee or some other attractive payment basis as a supplementary activity.

Any organized effort to offer advisory services to smaller companies should involve some element of direct or indirect compensation to the consultant, that is, either in direct payments for services or in the form of a reasonable expectation of future business transactions. It would appear essential to characterize the advisory services as being directed primarily toward already effective smaller businesses to enable them to grow and prosper still more. The service should definitely not be looked upon as

intended primarily for poorly managed companies or companies who for some reason find themselves in substantial trouble.

It is strongly recommended that the Corporation avoid the retention of any type of management, financial, or specialized technical consultants on its own staff or under contract. Furthermore, emphasis initially should be placed upon the intensive study of the market for such services rather than upon immediate attempts to provide them.

VII - CLEARINGHOUSE FOR DATA, CONTACTS,
AND SPECIAL SERVICES



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AND SPECIAL SERVICES

The following basic policies are recommended for the Corporation with respect to technical services to be provided to location and relocation prospects.

1. Any technical services which are offered should be designed to supplement and not supplant the technical service offerings of the utilities, railroads, industrial realtors, and other agencies organized to provide technical services to industrial prospects. Even in cases where existing agencies are not performing certain important functions as efficiently as they should, or not at all, the Corporation should not perform these functions but should attempt to interest the particular agency or agencies to do its job better. It is anticipated that eventually competition between similar agencies and between all development agencies will induce the less effective ones to upgrade their programs.
2. The Corporation's coordination and stimulation activities with respect to technical services should concentrate particularly on (a) upgrading the technical service offerings of existing development organizations, and (b) stimulation of collaborative efforts between various development agencies together with engineering, planning, and financial institutions to provide industrial prospects with industrial facilities on a packaged plan basis.

Based on the policies outlined above, it is recommended that the Corporation undertake the following technical services:

Maintenance of a Comprehensive Site and Building Data File

This file would be largely an accumulation of data supplied to the Corporation by other agencies. Consideration should be given to maintenance in connection with this file of a site registry service for the purpose of broker protection. This file would not be intended to supplant the files of the individual agencies but, as with some of the other services, it is recommended in order that prospects who have not narrowed down their site

selection within the region may obtain a general view of the offerings in the area before making a more intensive study, thus saving them considerable time and assuring that they will not discount the area because they were not satisfied with the offerings of one agency.

Maintenance of a Comprehensive Regional
Map and Photograph File

This material would be obtained from existing data in the files of planning commissions, utilities, railroads, government agencies, etc., and should be supplemented by special planning studies as recommended elsewhere in this report, which are especially directed to industrial land planning.

Maintenance of a Comprehensive General
Data File for the Area as a Whole
and for Specific Communities

This file would be based upon information obtained from sources such as mentioned above and in addition through contact with governmental research agencies, social research agencies, etc. It would include all available current information of any conceivable significance to an industrial prospect and be organized for easy reference.

Referral of Prospects to Other Agencies

Based upon maintenance by the Corporation of a detailed file of the offerings of other agencies and a continued liaison with their personnel, the Corporation could refer any prospects which have come to it initially to the other agencies. It must be recognized, of course, that many prospects will make their first contacts with the other agencies which then have the choice of referring or not referring them to the Corporation if they cannot be satisfied by that agency.

Arrangement of Prospect Contacts with Business, Political, and Labor Leaders

It is anticipated that routine contacts of prospects with other businessmen and with local governmental and labor officials can best be handled by the utilities, railroads, and other district development service agencies. However, there will develop situations in which the influence of the Corporation will be necessary to arrange meetings of prospects with top-level officials. Also, in some cases, the agencies may not have fully developed contacts with certain officials in which case the Corporation can initiate the contact.

Follow-up File on Prospects

It is recommended that the Corporation maintain a detailed file on all active or potential major prospects and on minor prospects where no other agency can be relied upon to follow up adequately. Proper exercise of this function will depend on the cooperation of the other agencies which in turn is dependent on the confidence of the other agencies in the Corporation's discretion.

Liaison with Federal, State, and Local Agencies and Officials Where Prospects Require Governmental Cooperation or Approval

This is one of the several functions which should be performed by the existing development agencies to the extent possible and by the Corporation only in situations where bottlenecks develop.

Special Studies for Prospects

While it is not anticipated that the Corporation staff itself will undertake specialized studies of prospect problems which are not within the province of the existing development organizations, it may be possible, in

certain situations, for the Corporation to intercede with government agencies or existing major corporations to interest them in providing the required data and analysis.

General Policies

It should be emphasized that all of the above services should also be geared to assist companies already located within the region.

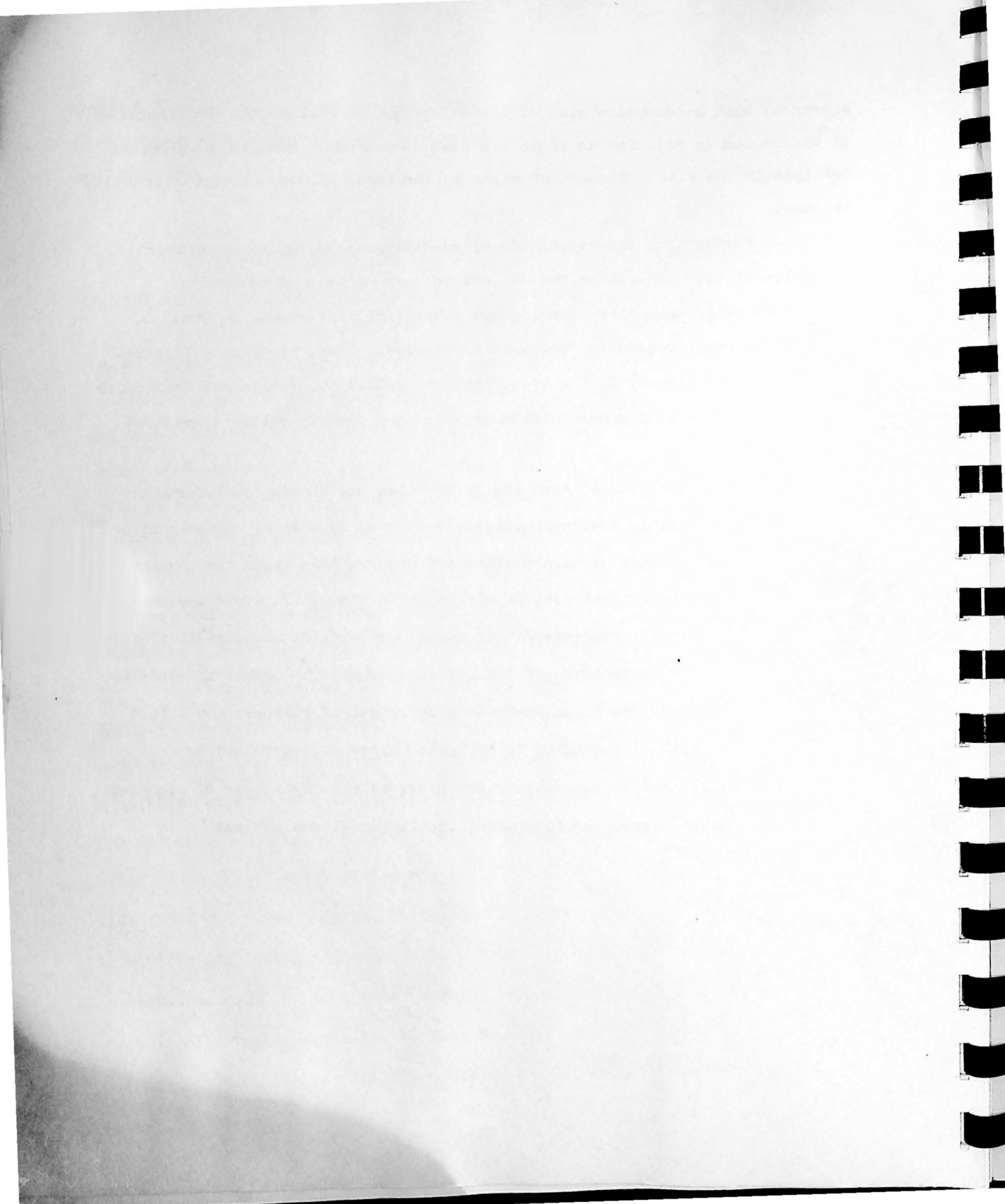
In dealing with new company prospects it is essential that the Corporation staff recognize that through experience in other areas many companies have developed preferred agencies for making their contacts. Also, in some instances, they base their initial contact in a new area upon word-of-mouth evidence as to the agency offering the best service package. It should also be recognized that many companies depend on professional location consultants to research their new locations; thus it is important for the Corporation to impress upon these professional people the quality of its own services and the extensive research and service offerings which can be mobilized through use of the other agencies as needed.

It is suggested that the site, map and aerial photograph data together with selected general data be organized for ready reference and easy revision in a special map and data room along the lines of that offered to industrial prospects in Chicago. Having arrived at a preliminary impression of the region's offerings, the prospect could then explore in more detail such items as utility rates, raw material availability, site conditions, site costs and terms, layout, building data, labor data, tax data, information on similar industries and related industries, etc., with the other development agencies who would in most cases provide the prospect with a detailed report on their offerings in relation to the prospect's needs. The map and data room would not be a superficially dramatic presentation but would provide

prospects with a composite view of the offerings as well as the deficiencies of the region in relation to their own plans and enable them to pinpoint intelligently and with a minimum of waste motion those offerings most attractive to them.

Partly from the standpoint of educating existing local industries, the files of the Corporation should include current data on trends in industrial buildings, site planning and other facility trends, as well as product and other trends in important industries. Thus, prospects, both new to the area and already in the area, might be guided to provide new facilities incorporating the most modern standards when they finally choose a location in the area.

A special service which the Corporation may choose to perform for prospects, particularly smaller business prospects, is that of encouraging and helping them to make certain preliminary observations about the company itself as an important first step in any location study. To avoid serious errors, it is generally recognized that management should, although it often does not, define the objectives of the business, chart the course it wants to take, base its objectives on an up-to-date appraisal of business conditions and know its market. Its ability to do these things is determined by whether the management of the company has provided the right type of planning and administrative procedures for making such internal evaluations.



VIII - MOBILIZING THE INDUSTRY-ATTRACTING AND
NEW-ENTERPRISE-GENERATING POTENTIAL
OF EXISTING INDUSTRIES



VIII - MOBILIZING THE INDUSTRY-ATTRACTING AND
NEW-ENTERPRISE-GENERATING POTENTIAL OF EXISTING INDUSTRIES

The existing business organizations of the region possess many potential tools of great effectiveness for attracting new companies to the region and for generating new products for use within their company, or new ideas which can lead to creation of new companies in the district. A brief examination of these tools follows.

Company-Owned Sites

A number of corporations own significant tracts of buildable land. Some of these are used for disposal of waste materials but the disposal operations are carefully planned so that in the long run attractive industrial sites are created. Other companies are holding significant sites for expansion or relocation of their own facilities. Of course, the businesses directly connected with industrial development activities such as railroads and utilities also own some significant tracts. The manufacturing corporation sites, particularly those extensive areas used for waste disposal, could offer a potent attraction to fabricators if released for such a development subject to legitimate and logical control of the type of industry to be located on the sites. Such a program would appear to offer mutually desirable benefits to both the industry owning the site and the community.

Executive Contacts

Pittsburgh executives and their key staff members have widespread contacts throughout the country with executives and staff members operating at similar levels. These are the people who determine plant locations. If the conscious participation of this group can be obtained, the message of Pittsburgh's attractions and a candid yet balanced appraisal of its deficiencies

can be transmitted to important executives throughout the country more effectively than through any other means.

The next contribution by this group would be in the form of leads on specific expansion plans of other companies, industrial trends which might affect the Pittsburgh region, etc.

Finally, when major active prospects are in the region and examining its potentialities at first hand, this group could participate in discussions to provide information on their own experiences in the region; arrange for special research on matters not normally provided prospects by utilities, railroads, or other industrial development organizations; entertain prospects, and thus point out the recreational and cultural advantages of the region; and finally negotiate, where necessary, any inter-company relationships.

Research and Advisory Services

There are innumerable situations in which technical and commercial research facilities of the various existing corporations could contribute to industrial development. From the technical research laboratories should come many ideas which a company may not wish to produce itself which could be

! to an existing company or result in creation of a new company located in the region. In other cases, research might lead to the establishment of an entirely new division within a company and, in such cases, it is anticipated that the region would be given fair consideration in location of the new division's production facilities.

Commercial research could contribute to a better understanding of the production and consumption pattern of the region leading perhaps to creation of new local companies or expansion of existing companies to better meet local needs.

Another possibility is that careful study will indicate logical patterns for new plant facilities to absorb the by-products of existing Pittsburgh companies and to absorb at least a portion of the surplus production of the region for such items as sheet steel.

Many of the existing technical laboratories, as a policy, devote considerable attention to detailed development work on new applications in collaboration with companies who are developing new items. Accessibility to a large number of corporate and private technical research facilities and their talent should offer a considerable inducement to many companies to locate in the region and should be promoted.

Diversification through Acquisition

Many of the existing corporations of the region are also diversifying through acquisition of other companies or of the rights to produce new products. In some cases, there should be opportunities for integration of the production of all or parts of new products into facilities located in the Pittsburgh region as one alternative.

Methods for Mobilizing Such Assistance

It is evident that many companies can and are contributing to industrial development in the region without considering it as such. As a result, in many cases their efforts are limited to only a few of the many potential contributions they might make.

Many of the opportunities for mobilizing of existing manufacturing companies to participate more intensively and consciously in the industrial development program of the region are outlined in other sections, such as: industrial land policy, community public relations and education, promotion of the region, etc. Taken together, these opportunities are somewhat unique in that in every case they offer a particular company an opportunity to make

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a significant community contribution, while at the same time benefiting the company directly by strengthening and broadening its own local market. It is anticipated that once this intimate relationship between the self-interest of each company and the objectives of the industrial development effort is consciously recognized, only a minimum amount of further stimulation and coordination will be required to produce significant results.

It should be emphasized, however, that the most significant contribution which existing industries can make to the region is to keep themselves competitive and in the forefront of their industry by keeping pace with new trends, plant modernization, product improvement, cost reduction, production stabilization, etc.

IX - A REGIONAL PUBLIC RELATIONS AND EDUCATION

PROGRAM TO HELP CREATE "A CLIMATE"

CONDUCTIVE TO INDUSTRIAL EXPANSION



IX - A REGIONAL PUBLIC RELATIONS AND EDUCATION PROGRAM
TO HELP CREATE "A CLIMATE" CONDUCIVE TO INDUSTRIAL EXPANSION

A promotional program by the utilities, railroads, industrial realtors, existing industries and local industrial development organizations of the Pittsburgh region to attract new industries and encourage the relocation and expansion of existing companies can hardly hope for much success unless a significant change is forthcoming in certain attitudes held not only by average citizens but also by leadership elements in the community. These attitudes have contributed to the lack of effective action on industrial development up to the present time. As long as they are held in their present form they will act as a dampening influence on any effort at industrial expansion.

To illustrate one manifestation of this attitude, this remark was made by a key official in a major Pittsburgh firm: "I can't understand why any one in our business starting from scratch would want to locate in Pittsburgh or for that matter in Cleveland, Philadelphia, or any other highly industrialized area." Consider the fact that this man in the course of a year will reflect this attitude to any number of executives in other companies located in other cities who might conceivably be prospects for the Pittsburgh region; consider also the fact that most industrial prospects investigating an area insist upon talking with key officials of a number of companies to feel out, in particular, the "labor picture" and the "community attitude" toward industry as reflected in taxes, community services, etc.

Certainly, a comment such as quoted above and supplemented by emphasis of the many handicaps and deficiencies of the Pittsburgh area would discourage any prospect.

In general, the various unfavorable remarks made by Pittsburgh executives throughout the Pittsburgh region are based on a limited number of

criteria. In most cases, they exhibited a great sensitivity toward the labor problem primarily in terms of strikes. Others stressed the site acquisition problem in this region in view of modern standards requiring very large tracts of land. Few comments seemed to be based on a balanced view of the region combining its handicaps and deficiencies with its significant assets. Furthermore, the facts utilized to substantiate a particular point of view are usually at a minimum. In most cases, comments on any advantages the region might have were extracted only by pointed questioning and in the few instances they were mentioned directly, they were glossed over. In a few instances the feeling appeared to be that the company was retaining its existing facilities in the area and was establishing certain new facilities in the area only because of its heavy existing investment which requires protection through modernization and a certain amount of "patriotism" and personal satisfaction with the region as a place to live by the company president or several key executives.

This, of course, reflects one of the major reasons why so few companies ever relocate their basic operations and why the majority of new plants coming into any region are either branch plants or new home-grown enterprises.

Comments were also solicited from small companies and, in general, they reflected an intent to remain within the region. This underscores the need for an expressed interest and emphasis upon creation of new local industries and encouragement of the expansion of existing industries as major sources of industrial expansion in the Pittsburgh region.

Thus, a great deal was learned both about which groups of industrial prospects deserve the most attention and to some extent how they must be sold (discussed under another heading). But it was clearly demonstrated that within the region there is sorely needed a program of public relations and

education which will, on a factual basis, give both the general public and more important the commercial, industrial, government and labor leadership of the area a candid and balanced picture of the area's assets and deficiencies. Only after such understanding is established can sound efforts be planned for the elimination or mitigation of handicaps and deficiencies and a clearer appraisal of the region's advantages so that they, too, may be emphasized in any discussions with outside interests who might become prospects for this area. Finally, there is the need to keep the existing industries, large and small, "sold" on the region.

It is concluded that the region's businessmen, the one group who can do more than any other group or any amount of advertising or promotion to sell the Pittsburgh area to itself and to others, are not adequately aware of the basic facts of the region's economy, whether assets or liabilities. Particularly since so many have accented the deficiencies of the area there is need for emphasis on the assets such as: the spirit of improvement, the tremendous store of technical research talent, extensive labor skills, good market location, cultural and recreational facilities, and above all, sound and active plans for great new improvements.

Furthermore, as deficiencies are corrected, the community as a whole and these men in particular, must be fully aware of the progress made.

The mechanisms for reaching all the leadership elements of the region now exist. They require merely exploitation. Since much of the information involved is of widespread community interest, newspapers can provide a key media for contact of all groups. Business, labor, and related organizations and associations at meetings and in publications can provide important media. The publications of universities, the Federal Reserve Pittsburgh Branch, and a myriad of other agencies can all provide media for both general and selective treatment of the many facets of this subject.

The assets and problems of the area should be pinpointed for each group in relation to its specific major interests. Potential benefits to each group from specific cooperation and participation should be highlighted. Among government officials, for example, all activities toward improvement of governmental management and operation can be stressed. Likewise, actions such as zoning of industrial areas and providing for well-planned community improvements in relation to industrial areas, etc., can be pinpointed. Equally important, is the development of tax policies conducive to sound industrial expansion.

Newspaper, radio, television, and other local informational media cooperation, to the extent of intensive coverage of industrial development activities, is essential.

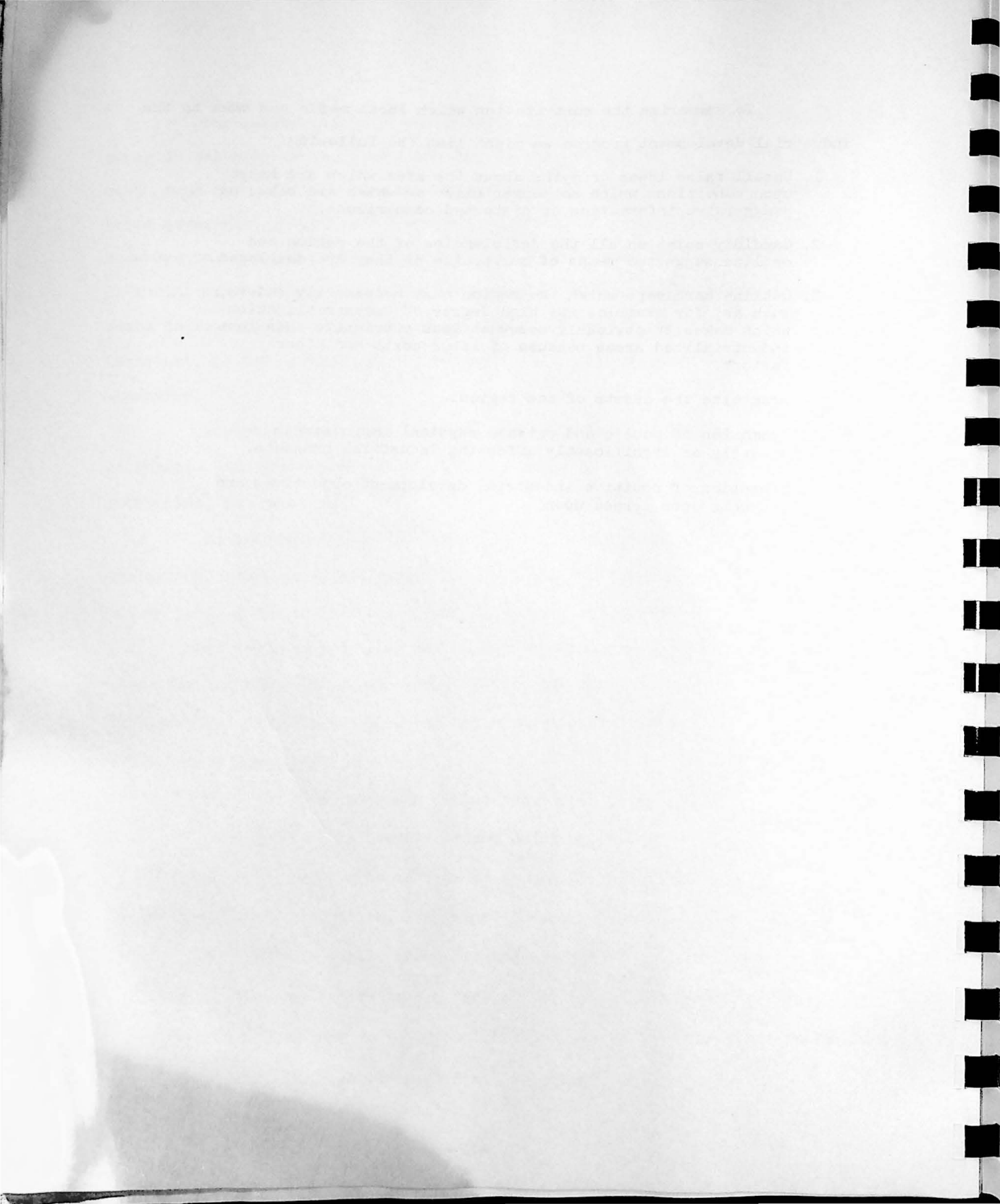
On the other hand, for labor groups, improved stability of existing employment, creation of new jobs, and opportunities for more skilled employment can be pointed out as benefits likely to accrue from a sound cooperative attitude. Labor groups should also be urged to develop unique new and specific ideas for participation in the program; this has been done to the benefit of several other communities, although unfortunately only after conditions had deteriorated significantly.

Any program of regional public relations for an industrial development effort must recognize that inertia toward doing anything about industrial development is high when business in an area is generally good - yet this is precisely the time when most relocation, expansion, and new starts take place.

The regional public relations and educational programs suggested should be able to capitalize on the fact that although no crisis exists, there are enough problems so that considerable interest in economic problems is exhibited by all groups in the region at this time.

To summarize the contribution which local media can make to the industrial development program we might list the following:

1. Unsell false ideas or myths about the area which are based upon conditions which no longer exist or which are based on exaggerated information or distorted comparisons.
2. Candidly point up all the deficiencies of the region and outline suggested means of correction as they are developed.
3. Outline handicaps which the region must necessarily endure, such as, for example, its high degree of industrialization which makes it obviously somewhat less attractive than less industrialized areas because of labor costs and other factors.
4. Dramatize the assets of the region.
5. Promotion of public and private physical improvements directly or significantly affecting industrial projects.
6. Promotion of positive industrial development objectives and projects once agreed upon.



X - PROMOTION OF THE REGION



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Promotional Efforts by the Regional
Industrial Development Corporation

The promotional efforts of the Corporation should be restricted to:

1. Coordination, stimulation, and assistance to other development agencies in the area in their contact, advertising, direct mail, and other promotional efforts.
2. Encourage secondary advertising and promotion of the area's advantages by existing business and industries as part of their regular advertising, convention, and other programs.
3. Secure proper placement of free publicity on the area and its unique features and advantages.

This program implies the recommendation that no reliance be placed upon a broad advertising by the Corporation either in national or trade publications or in local publications. This recommendation is based on experience elsewhere which indicates that the utility companies and other selected organizations can do a much more effective job in carrying out the necessary extensive advertising campaign to advertise an area as a whole, than an industrial development corporation. Furthermore, as the regional program develops there should occur many opportunities for free publicity of regional advantages, special features, and accomplishments.

There will probably be pressure from some quarters to conduct some initial promotion of the name and program of the new Corporation. As an alternate to direct advertising and promotion, it is suggested that this program take the form of tie-in announcements inserted in the mailings of the existing development organizations. These mailings to prospects, plant location consultants, etc., would point out the supplementary nature of the services offered by the Corporation. This suggestion is made not only

because of the minimum results received by even elaborate regional advertising campaigns, but also because of the basic conviction that the major function of the Corporation is to help the other development agencies of the region develop sound programs. Finally, the Corporation should be really ready to do business and have made some progress on certain of its other functions before publicizing its existence to the outside world.

It is recommended that the Corporation undertake no "cold-call" contacts with out-of-town industries, but leave such efforts to the other area agencies. However, it should be ready to promote contacts based on selected sound leads. Also, in some instances, it will be highly desirable for the Corporation to act as the single "official contact" for a company wishing to locate or relocate in the area which wishes to maintain its anonymity as long as possible. In such instances, the Corporation can muster detailed survey reports and other information as needed from the other agencies and handle all other relations until such time as the client has arrived at a reasonably final decision and is in a position to reveal his identity to the other agency or agencies (utility, railroad, broker, etc.) for final negotiations.

There exists a considerable diversity in the quality of promotional effort between various industrial development agencies operating in this area. This means there is substantial room for coordination and assistance by the Corporation of those agencies whose program is low in quality in relation to the agency's means. Special consideration should be given to offsetting and unselling certain myths, misconceptions, and exaggerations about the area's liabilities.

The suggestion that the Corporation promote so-called secondary advertising and promotion involves liaison with the advertising and sales

departments of local manufacturing corporations to encourage them to use one or more of the mechanisms such as the following:

1. Emphasize the fact of their Pittsburgh location in advertising, promotion, and reports.
2. Utilize local projects as subjects in advertising (photographs of airport, hospitals, etc.).
3. Refer to phases of the Pittsburgh redevelopment and cultural renaissance program or other local distinctions (research facilities, etc.) where tie-ins are feasible.
4. Publicize modernization of their own facilities in the area.
5. Advertising of specific plant sites, office space, etc.
6. Establishment of Display Centers and special plant visitor facilities at Pittsburgh plants and research facilities (Corning Glass Center as example).

The foregoing suggestions are based on a recognition of certain "facts of life" about industrial development promotion, some of which are outlined below:

1. Many managements are looking beyond current costs in planning new plant locations. For example, they look less at absolute wage rates than the factors which will influence those rates in the future. They look less at tax rates than at the basic financial status of the community and the quality and efficiency of facilities and services which are rendered. They attempt to evaluate such subtle factors as the innate productivity of an area's employees. They are conscious of the fact that differentials are narrowing.
2. Although many managements are either adopting a more scientific approach on their own part in locating facilities and although many are turning to local consultants, a significant number of plants are still located predominantly for personal reasons of the management. Thus, management valuations of their home community and their established relationships are an important factor in keeping an existing industry in its present location. When new industries are formed or branch operations are created these personal attraction factors are exceedingly important in the location choice for the new facilities.
3. There is increased company responsibility to the communities in which they locate. This leads to the need to supply considerably more information to the prospective companies so that they may plan the introduction of their operations into the community. For example, an important factor in the minds of many companies

is the percentage of the total labor force which they may ultimately employ. They may not wish to become a predominant employer in a community and face the overwhelming community responsibility which such a position entails.

4. The caliber of representatives of an industrial development corporation's staff and board of directors is an essential factor in obtaining the confidence of prospects. Information on an industrial development organization's inability to produce on service offerings or a ballyhooing approach to factual presentations and other such unfavorable practices quickly become known throughout the industrial development field. Therefore, it is best to be ready to do a job for prospects before advertising your services and above all to always make honest representations.

5. There is an increasing interest in suburban and small community locations which necessitates a broadening of the scope and penetration of industrial development services and promotion. Improved transportation patterns, population growth, increased consideration of social factors, sharply increased land needs due to one-story construction with substantial park and reserve land allowances, all have helped stimulate this change in focus.

6. Most organizations follow a particular habit pattern in making their site contacts; that is, they see railroads first, chambers first, utilities first, etc. Also, most companies make a number of contacts within an area during the course of a location or relocation study in an effort to check and double check their data and to obtain a full view of the area.

XI - SUBSIDIES



XI - SUBSIDIES

It is suggested that the Pittsburgh area, in general, does not need either direct or hidden subsidies.

It is strongly recommended that the Corporation adopt the following policies with regard to subsidizing either existing industries or prospective industries.

1. All activities which the Corporation might choose to undertake with its capital funds will be conducted on the basis of a fair return on the investment or transaction.
2. Local development organizations will be encouraged to adopt a similar policy on subsidies or concessions. However, it is recognized that in some instances depressed communities will indulge in concessions which amount to subsidy and which may, in fact, be desirable when the net gain to the community is balanced against the cost of the subsidy.
3. Governmental bodies should be urged to consider no special tax or service concessions to any industry. On the other hand, they should be urged to strive for policies in assessment of taxes and charges which will not be an impediment to industry but which are consistent with maintenance of adequate community services operated on an efficient basis.
4. Any subsidies considered by depressed communities should be weighed in relation to any adverse effects on existing industries in the area.

In view of the many factors which are involved in the location of a new factory, it is difficult to isolate and evaluate the effect of either State, regional, or local programs to attract new industry and to help existing industry prosper. It is even difficult to evaluate the effect of such specific mechanisms as subsidies. Subsidies have been extensively used by southern communities but the other factors in the south, such as low degree of industrialization which induces a low unionization ratio, generally lower, though rising wage rates, etc., make it impossible to pinpoint their relative impact. However, most authorities are agreed that insofar as regional location of industry is concerned, subsidies play very little part and other factors must

be favorable first. Subsidies play a primary role in attracting a key industry to a specific location within a general area. In fact, the extending of subsidies to rival southern cities has now approached the point where they are, in some cases, "stealing" plants from each other rather than from other regions.

Some companies have a policy of not accepting special aids because it places an obligation on the company to the community. Many companies feel that to accept special favors makes it difficult to work with the community and may conflict with management prerogatives. Thus the application of subsidies is more to undeveloped areas where existing industries are few. Many companies will, however, accept offers if granted although it is generally recognized that communities which extend unusually broad concessions are probably ignoring many community services which should be provided. This is particularly true where subsidies are based upon tax concessions or otherwise involve municipal finances. Where the subsidy is based upon the funds of a local foundation the above does not necessarily apply.

The types of subsidy vary considerably in type and in the degree to which they are apparent. Some of them are:

1. Free or below-market-price land.
2. Buildings leased at low rentals in comparison to normal rentals in the area either due to concessions on certain utility payments, low interest on loans, spacing of principal payments over a longer term than justified, etc.
3. State or local tax exemptions either limited term or permanent.
4. Reduced valuations for all industrial property or selected properties often through confidential understandings with industry.
5. Free or low cost municipal services such as free water and/or sewage disposal.
6. Capital donations.

While reasonable equalization of per capita income and other wealth factors by regions of the nation is obviously desirable, it is generally felt

that it should be carried out somewhat more rationally than at the expense of labor standards, tax and fiscal problems, unfair competition between similar companies, etc.

It should be noted that in some instances in the South where subsidies to industries have been substantial, the drain on local tax resources has been so substantial that tax and fiscal problems have been created in an attempt to provide adequate schools and other community facilities as well as community social services. Subsequently, Federal aid is asked and in some instances grants are made to underwrite improvement of facilities which should rightly be financed by the industries and the adequately compensated citizens of that area.

There appears to be more contempt for the word subsidy than the various acts which constitute subsidization. From a logical standpoint each parcel of property has some fair value, every loan has an equitable interest rate depending on risk, and every service rendered has its fair value. Therefore, if a property is leased at a rental below the cost of depreciation and maintenance plus the reasonable return which might be expected on the open competitive market, the difference must, in all logic, be considered a subsidy. Thus, the basis on which most industrial foundations operate involves some element of subsidization. The very fact that an organization is non-profit and thus not gaining a return on an investment is, in all frankness, a subsidy. The use of volunteer assistance in credit investigations, negotiations, and other services without fee likewise constitutes an element of subsidy.

Observations of the number of "blue chip" companies which are leasing buildings at low rental or that have accepted land as gifts, or have paid less than market prices for it, are certainly indicative that many large financially secure companies are quite willing to make use of industrial foundation facilities. Is this bad? Much depends on the prospects and most communities have

quite satisfactorily resolved the situation in their favor; that is, if certain businessmen of a community can, by foregoing a return on their capital and by donating a portion of their efforts and ability, thereby increase the amount of money in circulation in the community many times the amount of the subsidy, with a resultant greater profit to themselves, they would be foolish not to do so. Indeed, in that light, the subsidy appears more as a highly profitable investment than a dole or gift for which there will be no return. Likewise, the management of corporations must make the best deal they can and if a facility is available at a slightly more attractive price in a community which offers either comparable attractions or at least no significant handicaps when compared to other communities, then they must pursue this best offer.

XII - TYPES OF INDUSTRY TO ACCENT FOR
SELECTIVE EXPANSION



XII - TYPES OF INDUSTRY TO ACCENT FOR SELECTIVE EXPANSION

In discussing the reasons for a Pittsburgh regional industrial development program, the justification for adoption of a selective program oriented primarily toward improving the quality of the economy of the region was outlined. The question then arises, how can this region plan and carry out a sound selective developmental program?

It is anticipated that the greatest concentration of developmental effort will be on manufacturing industries, leaving the service and commercial businesses to expand in response to demand from the production industries and the consumers of the region.

Each industry has its own peculiar array of important locational factors. In planning a selective expansion program, the Pittsburgh region must be aware of these factors and consider the relationship of regional conditions to them.

To some degree Pittsburgh's selectivity must be guided by its peculiar advantages and deficiencies. However, to a considerable degree, Pittsburgh's selectivity can be based primarily on the economic objectives it wishes to achieve.

Selectivity in industrial development, in general, must be related to two major factors: (1) the types of workers currently in the labor force and the trend in labor skills, and (2) the general appropriateness of the industry to the area as indicated by high ranking characteristics of income and stability or growth most likely to promote community well being.

The most significant characteristic of income level is the median wage or salary prevailing in a given industry. This figure determines the standard of living for the average man working in that industry and for his

family. Also significant is the proportion of workers receiving income above a certain base level.

The extensive use of highly skilled workers is important in several ways. Craftsmen, professional people, and the like are for the most part better paid than the unskilled worker. They are generally less subject to unemployment. Finally, in most areas, there has been a sharp shift of workers from unskilled to semi-skilled and skilled status with the trend continuing.

The value of a considerable degree of seasonal stability cannot be overlooked. Sharp seasonal fluctuations lower income and disturb economic well-being. Obviously, if a person has the opportunity to work throughout the year and continuously over the years, his income will be considerably greater than if he is laid off for several months each year, and during some years has trouble finding any work at all. Everyone in an area is affected to a degree by the regularity of this person's work because his earnings contribute to the aggregate which supports other employment activities and governmental services.

A high degree of stability in individual industry lessens the enormous losses to a community during any downward swing of the business cycle. Thus, diversity in types of industry as between durable and nondurable items, and on other bases, acts as a broad community economic stabilizer.

The major factors influencing Pittsburgh's selectivity are:

1. Wage Relationships - Pittsburgh is a high wage rate area. It has, of course, all the advantages of a high income population during periods of reasonable business stability. On the other hand, this high wage pattern makes attraction of certain types of industry impossible. Thus, the first selectivity factors are the wage levels of the various industries and the percentage of labor costs to total costs. This region can discount most possibilities for attracting labor-oriented industries

interested in low wage rates*. Conversely it must concentrate on industries able to compete in high wage areas either due to a high industry wage structure or due to the fact that labor costs are a small proportion of total delivered costs due to a high degree of mechanization and automation.

2. Matching Skills to Jobs - The degree to which emphasis is placed upon increased opportunities for special groups such as women, older workers, handicapped persons, etc., or to a steady increase in the skills of the labor force, will contribute additional selectivity to the industrial development program.
3. Diversification - the degree to which increased seasonal and cyclical stability of employment is emphasized will affect selectivity. For example, such considerations as increased diversification by types of industry to minimize regional cyclical fluctuations, encouragement of stabilizing actions by individual companies, etc., all contribute to increased stability of regional employment with its resultant increase in real income levels. It must be recognized that substantial diversification already exists in product types and within industry groups. A somewhat lower degree of diversification exists when the marketing pattern for area products is considered, showing the substantial automotive market relationship, for example.

There is no optimum pattern of diversification for a community or region (see table on page 75). Furthermore, any significant alteration in the basic industrial pattern of an area requires long-term planning and sustained effort. Thus, some diversification arguments have merit while others are totally unrealistic.

*There are many wage trends now active which it appears will gradually minimize the competitive differential between Pittsburgh region wage rates and those in other areas.

First, it should be recognized that even within the Pittsburgh region there are wide fluctuations in wage patterns. Furthermore, the difference between wage rates in the highly urbanized portions of the Pittsburgh region vary hardly at all from those in other urban centers such as Cleveland, Philadelphia, Chicago, and even southern cities such as Birmingham, for most types of industry.

In general, wage levels are directly related to the degree of industrialization of an area.

The trends mentioned above can be briefly stated as follows:

- (1) Steady narrowing of area differentials in unionized industries.
- (2) Increased industrialization of many previously unindustrialized areas with the inevitable rise in wage patterns.
- (3) Entry of high wage industries into semi-industrialized areas exerting an upgrading of all wage levels due to competition for skilled personnel. Usually begins with skilled maintenance personnel.

Certainly there is room for further diversification in the industrial pattern of the Pittsburgh region. New products or processes which are less heavily dependent on automotive and capital goods markets should be encouraged. In many instances these new products will result in diversification of existing companies while in other cases new companies (either newly established or the expanding portion of a company based elsewhere) will be required to develop and exploit them. At the same time, expansion of sound existing facilities should not be overlooked, so that what is here may be kept healthy, competitive, and improving. Certainly, a significant portion of any diversification in products must come from small companies with roots already here or through creation of new companies by talented Pittsburgh people who choose to locate their facilities here. It can be easily proved that home-grown industries offer a big pay-off.

In any case, no drastic shift in the basic industrial structure of the region should be anticipated soon.

4. Integration of Local Production and Consumption - Selectivity is also influenced by the degree of attention given to improved integration of the industrial structure of the area. That is, what local industries are producing more or less than the total local consumption; what industries produce by-products which might be important to a potential new industry; what production or service industries might complement existing industries.

When an industry is established in an area and yet does not produce enough to meet even local consumption levels, the industry has a better than ordinary possibility for sound expansion. An industry capable of producing products beyond existing local demands must be considered as having a natural resource potential as real as a bed of limestone with which traditional industrial surveys normally concern themselves. Thus, it is obvious that an expansion in steel fabrication, for example, should be a major concern.

5. Land Requirements Per Employee - In a limited number of instances, the land requirements per employee may prove a useful selectivity tool for the Pittsburgh region industrial effort. For example, even though other factors might make a major refining or chemical facility a desirable regional industry, the absorption of a considerable volume of valuable industrial land with minor new employee opportunities being created might dictate the rejection of such a project.
6. Other Factors - Certain selectivity may be based almost entirely on the desire of the area to create an expanding number of high-skilled, high-quality employment opportunities without particular concern with most of the typical location criteria.

TOTAL EMPLOYMENT AND LOCALIZATION FACTORS*

FOR SELECTED MANUFACTURING INDUSTRY GROUPS IN THREE

MAJOR METROPOLITAN AREAS - BASED ON THE 1947 CENSUS OF MANUFACTURERS

Type of Manufacturing	Metropolitan Area					
	Pittsburgh		Cleveland		Chicago	
	L.F.	Employees	L.F.	Employees	L.F.	Employees
<u>Durable</u>						
Primary Metals	5.4	148,265	2.0	43,126	1.6	117,815
Fabricated Metal Products	1.5	35,152	1.8	32,527	1.4	90,222
Machinery	.6	22,554	1.9	55,060	1.2	133,524
Electrical Machinery	1.7	31,309	1.6	22,789	2.2	116,834
Transportation Equipment	.5	14,548	1.6	35,491	.5	42,170
Instruments & Related Products	.08	4,240	.6	2,399	1.7	25,240
Furniture and Fixtures	.1	1,153	.7	4,037	1.1	23,372
Stone, Clay, Glass Products	2.4	26,150	.3	2,745	.6	17,032
<u>Nondurable</u>						
Food and Kindred Products	.6	21,252	.4	12,170	1.0	98,808
Textile Mill Products	.03	877	.2	4,576	.1	7,821
Apparel and Related Products	.05	1,381	.6	12,419	.7	48,134
Paper and Allied Products	.3	2,613	.4	3,086	.7	22,169
Printing and Allied Products	.5	7,890	.9	12,179	1.5	82,470
Chemicals and Allied Products	.4	5,817	1.2	14,056	.9	37,807
Petroleum and Coal Products	1.5	7,728	.9	3,377	1.7	23,327
Miscellaneous	.3	3,135	.6	4,765	1.1	34,291

Example of Sub-Group Location
Factor:

Blast Furnaces and Steel Mills	9.2	119,508	1.4	14,822	2.0	73,848
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*L.F. =

Metropolitan Area Employment
In Type Manufacturing

Total Metropolitan Area
Manufacturing Employment

U.S. Employment in Type
Manufacturing

Total U.S. Manufacturing
Employment

L.F. - One means the local manufacturing pattern is proportional to the national average for that type of manufacturing.

Note: Major manufacturing groups not shown are tobacco, lumber except furniture, rubber products and leather and leather products.

For example, there is no doubt that the area should continue to emphasize expansion in its already large number of research facilities.

Likewise, the splintering-off process by which talented men from these research organizations and other local companies tend to develop new products and processes and to form new enterprises should likewise be actively and consciously encouraged.

Another such area is that of interesting national corporations and organizations in establishing either headquarters or branch office facilities in the city in order to provide increased female employment. The Engineering Societies Center offers a major example, but a few major corporations locating their headquarters here or a sharp increase in branch facilities because of Pittsburgh's outstanding location relative to the concentrated Ohio Valley and Western Pennsylvania markets could have an equally great impact.

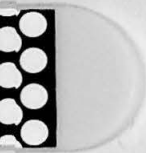
There are constantly being created new industries, many of which have critical location factors on which the Pittsburgh region can compete or where Pittsburgh's deficiencies are unimportant. For example, certainly the region should seek to capitalize on its present advanced position in research and application of atomic energy.

Finally, the region should seek to capitalize on the efforts already made and being planned to make this region the scene for better living through its housing, cultural, community facility, highway, recreational, and other developments, born of unique business, labor, government, and citizen teamwork*.

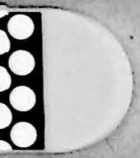
The preceding discussion, together with Appendix V, are merely a tentative proposal for selectivity in industrial development by the Pittsburgh region. Each factor and each type of industry will require detailed exploration beyond the scope of this initial report. For example, items not previously mentioned such as tax impact, utility rates, market and transportation patterns

*It should be clearly understood that those executives in charge of plant location for sound companies and the talented group likely to develop new businesses are both becoming increasingly influenced by community factors over and above the factors directly related to plant operating costs. Thus, suitable executive housing, other attractions, good value worker housing with sound, economical community services and facilities, etc., are of great significance in location decisions. Thus, any industrial development effort will be vitally concerned with every effort made for community improvement.

and many other specific factors may exercise a major influence on whether a particular type of industry should be emphasized or ignored as a prospect for the region. Furthermore, the rapidity with which technological changes occur, with widespread industrial effects, makes flexibility in selectivity on industrial development targets essential.



C. BOARD OF DIRECTORS



BOARD OF DIRECTORS

Leadership Requirements

Unless the recognized prestige business leaders of the region are thoroughly convinced that this project offers a significant and challenging opportunity, they will not support it financially, or, more important, with the weight of their influence. Without their active support, the effort is doomed to mediocre and insignificant results. With their policy level participation, the ability to coordinate and stimulate sound action by all important elements of the business community is assured. Likewise, the cooperation of labor and government officials can reasonably be expected if the business community demonstrates clearly its top level interest in this challenging opportunity offering significant benefits to all groups in the community.

Composition of Board

Because of the nature of this effort, the Board of Directors of the Corporation should be composed of the top business leaders of the community. Final selections from among the top community leadership should be based on demonstrated interest in the objectives of the Corporation, a regional perspective, and special abilities or potential contributions in one or more phases of the proposed Corporation program. These recommendations are made because:

- 1) The community as a whole must be impressed with the fact that the top economic leadership of the area is vitally interested in the program.
- 2) One of the functions of the directors will be to set policy for and approve various investments of corporation capital funds, a major business skill.
- 3) The responsibility for establishing policy and a program which will effectively reach businessmen now located here, or prospects for location here, requires primarily business experience.
- 4) For a regional development effort, the major regional business organizations, including the utilities and railroads, have the responsibility of providing both the operating and capital funds for the Corporation and thus should have the controlling voice in expenditure of these funds.

- 5) The very nature of the program dictates a business orientation. For example, most leads on new business prospects come through banker or other business channels. A businessman board would provide a maximum of such points of contact. Also such an effort involves negotiation with industrial prospects and coordination of efforts with other business organizations who tend to be most cooperative in discussing their problems with other business or industrial leaders.
- 6) The Corporation can and should establish other less formal but highly effective contacts with key individuals in other major groups such as labor, government, realtors, smaller manufacturers, utilities, railroads, etc., for assistance in establishing sound policies and operating procedures for the Corporation.

Contact with Other Action-Influencing Groups

Contact for policy advice and technical assistance with labor, government, realtor, smaller manufacturer, utility, railroad, and other important groups should be maintained through liaison between the staff of the Corporation and key individuals in the various groups as needed on specific problems. These individuals would form an effective but informal technical advisory roster to the Corporation. No standing committees should be formed - only project committees as needed and a minimum of those. Committee operations should be conducted with a minimum of formality. This plan has the advantages of:

- 1) Enabling key figures in the various groups to speak confidentially and noncommittally in commenting on proposed Regional Development Corporation efforts in the area of their knowledge. If, on any specific problem, they can and wish to make commitments for themselves or the organization which employs them they can do so freely - without being put publicly on the spot in arriving at their decision.
- 2) Freeing the board and particularly the staff of the Corporation from the burdensome details of formal multi-committee activity.
- 3) Leaving the Corporation staff free to contact one, a few, or all members of a given technical roster as needed, and to make these contacts directly without working through intermediaries.

D. STAFF REQUIREMENTS



STAFF REQUIREMENTS

It should be unnecessary to emphasize that if an industrial development organization is formed, the staff should be of the best quality obtainable. In the following sections, tentative specifications are outlined for the positions which would be required initially, plus several positions which might be added later. These position specifications are based on the assumption that the functions recommended for the organization will all be undertaken. It is not anticipated, however, that all functions will be pressed with equal urgency but rather that the staff will be built up slowly and the program developed gradually but effectively. Thus, the following discussion of staff specifications is merely a tentative guide for future discussions and will require much "cutting and fitting."

Two principal characteristics of the proposed organization really determine the staff requirements:

1. The fact that basically the program is one of coordination and stimulation of the efforts of existing agencies rather than an attempt to do any of their jobs for them.
2. That where the agency undertakes research or other projects directly, it will make an attempt to secure the broadest possible participation in these projects by existing agencies and will withdraw its direct participation as soon as the existing agencies demonstrate their willingness and ability to perform the particular service. This comment applies primarily to mobilization of effective economic research on the region and to pioneering in industrial land developments.

Executive Director

This position involves the duties of top-level administration of the Corporation program and major participation in the coordination and stimulation of the activities of all other agencies directly and indirectly involved in industrial development activities in the region.

Some of the principal background and character requirements would appear to be:

1. Instinct for cooperation and collaboration.
2. Imaginative and experimental spirit.
3. An appreciation of both community and business planning concepts.
4. An appreciation of economic research potentialities.
5. Drive
6. Ability to handle many varied assignments simultaneously.

. . . Perhaps in simple summary, he must be a queer breed of "smart operator" with reasonable experience in industrial development or in other situations simulating the duties of this position.

Certain plus factors may also be listed such as:

1. Knowledge of the region.
2. A reasonably young man.
3. Experience in and knowledge of business, government and labor activities.
4. Training and experience in one or more of the fields of engineering, finance, marketing, plus a smattering of other fields, based on contacts, reading, etc.

Research Director

The duties of this position will be:

1. The coordination of all the economic research efforts of the region.
2. Liaison with all other development agencies (utilities, railroads, community development corporations, industrial realtors, etc.), to improve the flow of data on sites, prospects, etc.
3. Liaison with local community groups and public officials to assist them in developing a sound picture of the economy of their community and what might be done about it.
4. Coordinate, in collaboration with the Director, both the regional internal public relations and educational efforts and the outside promotional consultations.

This position requires in large measure the same characteristics as the position of Director. In general, it is suggested that the Research Director possess in significant measure those abilities and characteristics which supplement those actually possessed by the candidate chosen as Director.

Site Development Engineer

The duties visualized for this position are:

1. Coordination and consultation with both public and private agencies on the planning of industrial site developments.
2. Supervision of any land acquisition and development activities undertaken directly by the Corporation.
3. Consultation with public officials on the need for and the design of sound industrial zoning; industrial building codes; provision of a sound pattern of community facilities such as streets, sewage, water, etc.

The duties outlined above should indicate the character of the individual required for this position.

Additional Staff

It is conceivable that the three positions outlined above, properly filled, could provide a rather effective program. It is suggested, however, that ultimately the following positions may be required:

Field Man - The need for this position will depend upon the volume of contact between the Corporation and the industrial prospects. It is not anticipated that this volume will become substantial until the files, map facilities, etc., are rather fully developed. The position should be filled sometime before it is badly needed so that the incumbent could become familiar with the area and the key contacts and assist in setting up the files and other reference facilities. Once established the duties could include:

1. Assist prospects during their preliminary study of the area in the Corporation map and data room.
2. Arrange for easy prospect liaison with utilities, railroads, and other agencies.
3. Supervision of brokers' site listing.

The man selected for this position should also be of such caliber as to supplement the other staff members in carrying out their duties.

Draftsman - Required to assist the site development engineer in preparing preliminary layouts and sketches of projects. This person should also prove useful in preparing proposals, public releases on projects, or to illustrate site planning, industrial zoning, or other concepts, etc. This position will probably not be required immediately.

Secretarial-Stenographic Staff - Initially two or three girls. Selection should be keyed to providing one girl who, with training, could become a research assistant to the research director, in addition to other duties.

Other - In addition, the Corporation will require legal counsel, engineering consultants, and other outside assistance if it undertakes specific land development projects.

E. OPERATING AND CAPITAL BUDGETS

OPERATING AND CAPITAL BUDGETS

The Operating Budget

No attempt has been made to develop a detailed operating budget at this point. When basic decisions are reached on the functions to be emphasized, meaningful preliminary budget estimates can be prepared. Thereafter the market for talent will determine, in large measure, the precise cost involved in operating a sound organization. In addition, the routine organizing, office, and miscellaneous expenses, plus possible research contracts with other agencies will influence final budget figures. As a minimum estimate based primarily upon the staff requirements outlined earlier plus modest allowances for office, service, and contract research costs, the initial operating budget should run a minimum of \$50,000 to \$75,000.

Some additional observations with regard to the operating budget are in order as follows:

- 1 Many small communities raise quite significant sums per capita for their industrial development efforts. It is not unusual for a community of from 100,000 to 200,000 to have a budget specifically for industrial development purposes of \$20,000 or more. And many smaller communities spend \$10,000. These figures do not include the large amount of gratis service offered as a contribution to the program.
- 2, Smaller communities individually do not have the wealth of existing research, financial, and other resources which can contribute to effective industrial development and which await effective mobilization as is the case in the Pittsburgh region.
- 3, The total investment in industrial development efforts is not merely that which might be undertaken by a regional industrial development corporation but also involves the total expenditure of money and effort by all the local funds, foundations, and community groups within the region; the research, promotion and industry attracting efforts directly conducted by existing companies, banks, etc.; and finally the extensive efforts of the utility companies, railroads, realtors, etc., on behalf of the region. Because of this fact, it is suggested that the over-all current expenditure for industrial development efforts in the Pittsburgh region should be cost-accounted. The cost of the proposed regional-level coordinating program would undoubtedly appear as a relatively small increase in the total cost of the region's industrial development efforts. In other words, the

investment of a nominal additional sum per capita in a regional coordinating effort must be looked upon as an investment in a catalytic agent whose value in increasing the effectiveness of existing efforts should greatly exceed its relative cost.

4. Major private agencies such as the Territorial Information Department of the Chicago Commonwealth Edison Company and the Industrial Development Department of the Cleveland Electric Illuminating Company, which do a significant regional coordinating job in addition to their direct promotional and prospect service functions, have a considerable staff and budget.

Commonwealth Edison - Territorial Information Department - total staff of 21 including five traveling field men; engineers, an editor, an economic analyst and other researchers. This staff is periodically supplemented or served by other company personnel as needed. Average annual budget is \$250,000.

Cleveland Electric Illuminating Company - Industrial Development Department - total staff of 15 including office help. Organized into two divisions, Industrial and Municipal. The company's market research division also assists on request. Average annual staff budget alone is \$100,000.

There are, however, no agencies with which the proposed Corporation's program and budget is directly comparable.

5. The operating budget of the Corporation should be considered as a continuing cost since the really significant results from such an effort are long-term in nature.

Capital Budget

No capital budget forecast has been made. In fact, it is suggested that no attempt be made to formulate a capital budget until the Corporation has been formed and its success in stimulating land acquisition and development by other agencies can be accurately measured against the need for such development. It is conceivable that if raising of a capital budget is postponed, while the other efforts are accented, it may be possible to keep the capital fund as a "reserve weapon."

As an illustration of a Corporation land acquisition and development program which might be established (but definitely not as a recommendation as

to the initial or ultimate scope of a Corporation capital fund program), the following is submitted:

1. <u>Site holdings</u> - 1,000 acres at an acquisition price of \$500 to \$2,000 per acre	-	\$1,000,000
2. <u>Investment in preliminary site development</u> - grading, limited paving, etc., at an average cost of \$1,000 per acre	-	1,000,000
3. <u>A pilot industrial district project</u> - on 200 acres at a final preparation cost of \$4,000 per gross acre - buildings to be financed through regular channels	-	<u>800,000</u>
Total	-	<u>\$2,800,000</u>

These would be revolving funds. Thus, the figures shown indicate the total funds outstanding at any one time; the value of such funds would, of course, be enhanced in proportion to any increases in the turnover rate.

Long-term land reserves should preferably be held on an option rather than an acquisition basis.

It should be recognized that the possibilities for obtaining credit toward such land developments is limited by the nature of the risk and the lack of collateral value in the investment.

Some additional observations with regard to the capital budget are in order:

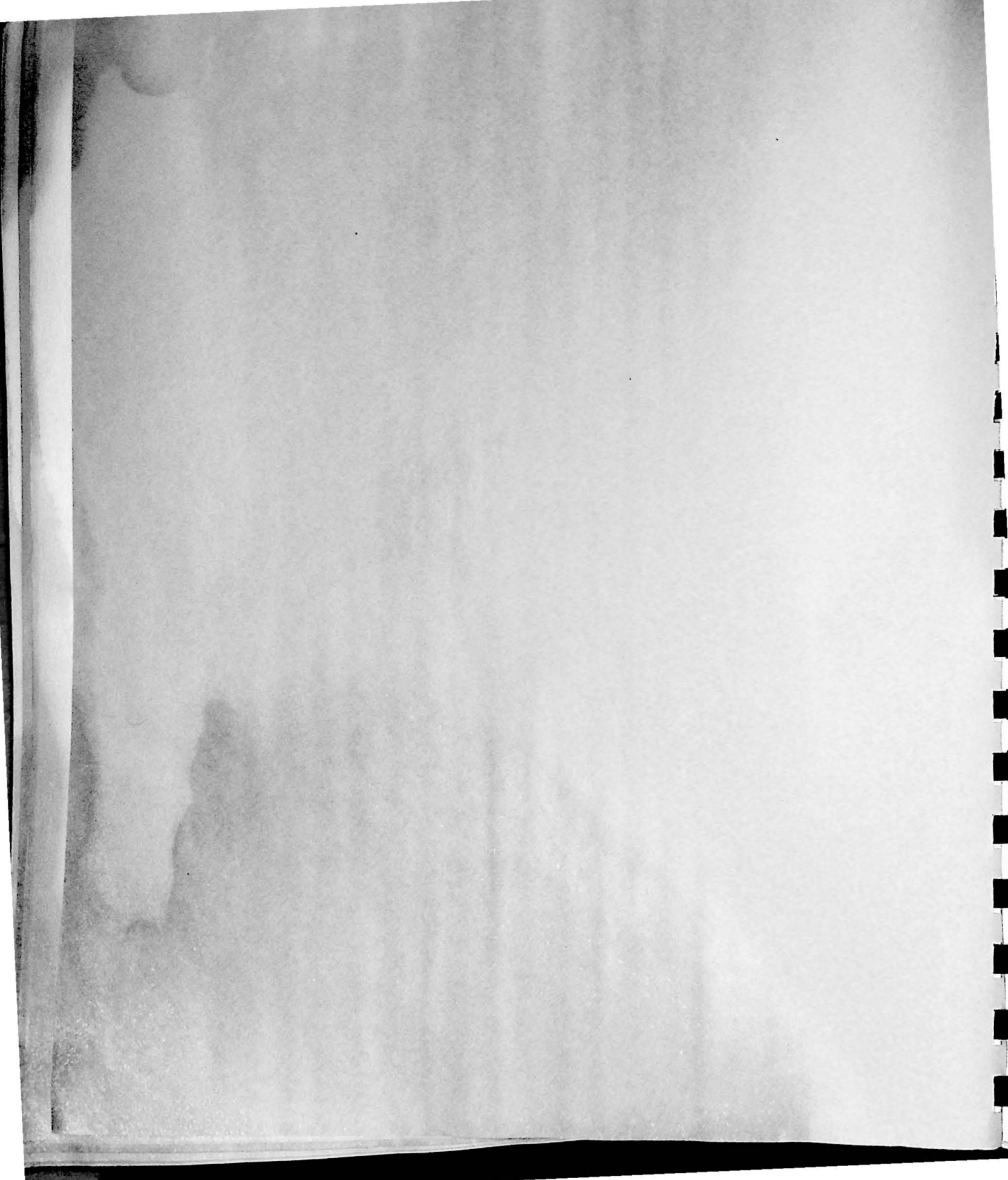
1. Many smaller communities raise substantial capital funds per capita. Most of these funds are utilized in the financing of buildings and are eventually repaid, although sometimes at subsidized interest rates or over unusually long amortization periods. An example of such a fund is the Altoona, Pennsylvania Industrial Payroll Insurance Plan which was organized to raise \$1,000,000 in a series of campaigns and which funds have been used to finance industrial land acquisition and buildings. Such local funds are often raised through broad-based subscription campaigns including employee deductions, etc. While this method is applicable for individual community campaigns, its use in a regional program does not appear to be feasible.
2. The Corporation may find it possible and desirable to invest its capital funds on a participating basis in collaboration with existing or newly formed agencies to pioneer one or more

industrial districts. Such an effort would undoubtedly reduce the size of the capital budget requirements (or multiply the impact of a given size Corporation fund) and might well yield all of the benefits anticipated from a direct Corporation industrial land program.

3. It should be recognized that the possibility of obtaining supplementary credit for land developments is very limited due to the relatively high-risk nature of such prospects and the lack of reasonably liquid collateral value in the facilities which are financed (grading, etc.).
4. The preferred method for collection of capital funds is a cash-on-call-when-needed basis* in cases where there is limited solicitation from major enterprises. This is more practical and financially efficient than a cash-on-subscription or periodical-payment basis. It is also typical under such arrangements to require that at any given time the percentage of total subscriptions actually called is the same for all subscribers.

*Other alternatives: Cash-on-subscription or periodical-payment basis.

F. INCORPORATION



INCORPORATION

1. The organization should be incorporated in order to provide:
 - a) Limited liability for all subscribers to the organization - i.e. limited to each subscriber's equity.
 - b) Greater stability in fact and in impression.
 - c) Greater simplicity of actions in transactions with real estate, etc.

2. The Corporation should be nonprofit with all earnings above costs re-invested in furthering the Corporation's objectives because:
 - a) An overwhelming number of industrial development agencies with or without capital funds have chosen a nonprofit status and obtained tax rulings to that effect.
 - b) Subscriptions to the Corporation will be tax-deductible and thus adequate subscriptions should be easier to obtain.
 - c) Taxes on the Corporation's income are eliminated - likewise, obviously, dividend payments. However, eventual return of capital to subscribers, if desired, is not jeopardized.