

Texas Today: Key Economic Drivers Attracting Business to Texas

Texas' stable business climate, low taxes, outstanding transportation infrastructure, skilled work force, and pro-business environment are helping companies to succeed and create jobs.

Mark Crawford (Q2 / Spring 2013)



clockwise from top-left: Texas is the nation's wind power leader; Medical device maker Greatbatch is establishing a new global headquarters in Frisco; The SpaceX Dragon was designed and manufactured in McGregor, Texas; A network of suppliers supports production at Toyota's San Antonio plant; The one-million-square-foot Tenaris SA facility, which will open in 2016, is expected to produce 600,000 tons of pipe annually for the oil and natural gas industries.

Texas just keeps rolling along — since 2010 no state has added more jobs (in 2012 alone Texas outpaced California in job growth by over 150,000 jobs). Not only is the state's energy sector booming, but Texas continues to attract multi-billion dollar investments across a range of industry sectors as more companies, eager to shed governmental red tape, come to Texas to bask in its low-cost business climate and get their products to market more quickly.

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In 2012, for the eleventh year in a row, Texas was the number-one exporting state in the nation, according to annual trade data compiled by the U.S. Department of Commerce. Texas exports for last year totaled \$265 billion, a 5.5 percent increase from \$251 billion in 2011, outperforming overall U.S. exports, which only grew by 4.3 percent. Top exports were petroleum and coal products, chemicals, computer and electronic products, nonelectrical machinery, and transportation equipment.

“The fact that Texas was ranked the nation’s top exporter demonstrates that our strong economic climate provides a broad range of opportunities for businesses to succeed,” says Governor Rick Perry. “Our longstanding commitment to holding the line on taxes, keeping our work force strong, and maintaining reasonable regulations and fair courts have led to more than a decade of leading the nation in exports.”

Top Infrastructure

Strong trade depends on having modern, efficient infrastructure in place with adequate capacity — highways, railroads, airports, and ports — plus the logistical systems and know-how to keep everything moving smoothly. No state is better positioned with its infrastructure than Texas is to maximize trade — especially along north-south routes to NAFTA partners Mexico and Canada, Texas’s two top trading partners. In 2011 Texas exported more goods to Mexico (\$87.4 million) and Canada (\$22 million) than to any other countries.

Texas is traversed by more than 300,000 miles of public roads, more than any other state, including nine interstate highways. I-35 and I-29 are busy trucking routes with direct access to Mexican and Canadian trading centers. With 380 airports, including Dallas-Fort Worth International and George Bush Intercontinental in Houston, Texas has the second-largest airport system in the country. Then

there are the 624 miles of Texas coastline, with 16 bustling seaports, including 12 deepwater ports. Ten of these ports are foreign-trade zones, which are excluded from a number of formal Customs entry procedures, quotas, and other restrictions. In 2011 the Houston-Galveston U.S. Customs District ranked first in the country for waterborne foreign trade, with a total volume of about 262 million metric tons.

Connected to this network of high-capacity shipping routes are two master-planned logistical complexes — Alliance Global Logistics Hub in Fort Worth and Port San Antonio in San Antonio. Both provide easy access to interstate highways, Class-I rail systems, and airports. The airport at the Alliance Global Logistics Hub is the world's first industrial-only airport. The hub is also a foreign-trade zone and includes BNSF Railway's large intermodal facility, with direct access to multiple rail lines. Port San Antonio is a 1,900-acre industrial complex and international logistics center, built on the former Kelly Air Force Base. It too is a foreign-trade zone with easy access to three interstate highways and Union Pacific and BNSF rail lines. Port San Antonio provides more than logistical support — it also has an expanding aerospace presence. Fourteen aerospace-related companies with a combined 5,000 employees currently have facilities at Port San Antonio. In further support, Alamo Colleges has opened a new work force development and training center in the complex. Part of the 40,000-square-foot building will also serve as an incubator for start-up companies.

“This facility will benefit the residents and industries of the Alamo region and city of San Antonio, especially Port San Antonio tenants, by ensuring that Port San Antonio employers have access to a pool of skilled technicians to meet their expansion and retirement work force targets,” says Wayne Alexander, board chair of Port San Antonio.

Key Economic Drivers

Why do companies come to Texas? It's pretty simple — a stable business climate, low taxes, outstanding transportation infrastructure, skilled work force, and one of the most pro-business state governments in the country. Consider that:

- With no corporate income tax and no individual income tax, Texas has one of the lowest tax burdens in the country. According to www.taxfoundation.org, Texas ranks ninth for overall tax climate for the Fiscal Year 2013.
- Texas offers a highly skilled, well-educated work force of over 12 million people. The Texas Workforce Commission, through its Skills Development Fund, has awarded over \$22 million in grants to improve worker skills.
- Transportation infrastructure in Texas consists of highly integrated networks of rail, highway, air, deepwater ports, and two master-planned logistics complexes that include Class-I rail terminals and direct access to interstate highways. Ten ports are designated as

foreign-trade zones.

- The Texas Enterprise Fund (TEF) — established in 2003 to ensure the growth and success of key industries in Texas — has become one of the country’s most competitive state-level tools for attracting business and new investment. To date TEF has invested about \$500 million to close deals on projects that have brought more than 67,000 new jobs and \$20 billion in capital investment to the state.

“Texas has many economic attributes that put it on just about anybody’s short list,” says John Lenio, economist and managing director for CBRE’s Economic Incentives Group in Phoenix, Arizona. “After that, TEF can be highly effective in closing the deal. Other states would love to have an economic development tool like TEF. When conditions are right, TEF levels the playing field with other states, or tilts it in favor of Texas.”

“A key underlying factor in our economic success is that our communities also realize the importance of bringing good companies with great jobs to Texas,” says Aaron Demerson, executive director of Economic Development and Tourism for the Governor’s office. “It’s acting upon that knowledge that has brought industry leaders like Apple, Ericsson, and ExxonMobil to our metropolitan areas, and influenced growth in the rural Texas manufacturing and energy industries.”

Lenio agrees: “Texas communities place a very high value on jobs. They often roll out the red carpet, which makes a difference and is something visiting company officials notice and remember.”

Industry Clusters in Texas

In 2003 the Texas legislature passed SB 275, calling for the development of strategies to strengthen the state’s competitiveness in key growth industries — **advanced manufacturing**, aerospace and defense, biotechnology and life sciences, information and communications technology (ICT), **petroleum refining** and **chemical products**, and **energy**. For a decade, Texas has been developing innovative tools and strategies to support economic growth in these areas, including the TEF. These have been instrumental in attracting both major players and innovative startups to Texas, where they have been able to flourish, create jobs, and help establish Texas as an international leader in these key sectors.

Advanced Manufacturing: Advanced manufacturing includes nanotechnology, semiconductors, advanced materials, electronics, automotive, and micro-electromechanical systems. Recent announcements include Samsung Electronics’ commitment to invest up to \$4 billion to upgrade its chip manufacturing plant in Austin and National Instruments plan to spend \$80 million to expand its operations, creating up to 1,000 new engineering and research jobs in Austin.

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Automotive is another booming segment of the advanced manufacturing sector and includes automobiles and light trucks, motor vehicle bodies, and auto parts. Texas' motor vehicle industry exported about \$18.5 billion in products in 2012. Toyota in San Antonio and General Motors in Arlington, two of the two largest automotive manufacturers in Texas, are supported by an extensive network of suppliers. GM invested about \$1.5 billion in its Arlington plant from 1996 to 2012, which is the company's only remaining U.S. location building full-sized SUVs. The company also plans to construct a \$200 million sheet metal stamping facility that will employ about 180 workers.

Aerospace and Aviation: Texas has one of the most important, vibrant aerospace and aviation sectors in the country. It is home to two international airlines, 15 active military bases, and NASA's world-famous Johnson Space Center. About 1,600 companies employ over 150,000 workers, making Texas one of the top three states in the country for aerospace research and development, manufacturing, as well as space exploration.

Commercial space travel R&D is rapidly evolving in Texas. In July 2012, [XCOR announced the creation of its new Commercial Space Research and Development Center headquarters at the Midland International Airport](#). XCOR develops and produces reusable launch vehicles, rocket engines, and rocket propulsion systems.

Space Exploration Technologies (SpaceX) is also Texas-based — its engineers in McGregor, Texas, design and manufacture advanced rockets and space capsules, including the Dragon spacecraft, the first commercial vehicle to successfully dock with the International Space Station.

Biotech and Life Sciences: More than 3,500 biotechnology and life sciences firms in Texas generate an annual economic impact of \$75 billion. Medical devices are one of the largest

components of this sector and have grown substantially over the last five years, creating internationally recognized clusters that produce surgical, dental, orthopedic, medical, and laboratory products.

Texas is one of the top 10 states in the country for medical device companies — more than a dozen major companies operate headquarters or facilities in the state. And they keep coming! In May 2012, Greatbatch indicated it would establish a new global headquarters in Frisco as part of its overall medical device strategy.

“Frisco offers us proximity to an established medical device cluster, surrounded by a business community that includes leading medical technology firms, as well as strong access to talent and key industry opinion leaders,” says Greatbatch President and CEO Thomas J. Hook.

Information and Communications Technology: Texas ICT includes computers, software, telecommunications, and IT services. Major players in the state are Dell, Microsoft, Texas Instruments, HP Enterprise Services, VCE, Cisco, and National Instruments. Texas ranks second in the country for computer and video game employment. ICT is also the top sector in Texas for attracting foreign direct investment (FDI) — between 2008 and 2012, 64 foreign ICT projects were recorded, representing 14 percent of the state’s total FDI projects during this period.

Recent ICT announcements include CyrusOne opening a \$45 million, 670,000-square-foot data center in Carrollton — the largest of its kind in the state. [VISA USA plans to build a new global IT center in Austin, creating about 800 new jobs](#). TEKsystems Global Services also has plans for a [\\$4.8 million, 500-job IT center in Irving](#) (the state is providing \$1.1 million through the Texas Enterprise Fund to close the deal).

“This center allows us to provide solutions and available technical talent to achieve results that are often not possible in other local markets,” says Randy Verdino, the firm’s vice president of applications. “We intend to leverage Irving’s tremendous wealth of talent at every level by working with local colleges for emerging skills and also hiring experienced people seeking new challenges.”

And, [Apple plans to invest more than \\$300 million and create 3,600 jobs at a new IT campus in Austin](#). The mega-project, which is to be supported by \$21 million from the TEF, doubles the size of Apple’s Texas work force.

Energy: When people think of oil and gas, they think of Texas — for good reason. New oil and gas reservoirs continue to be discovered in the Lone Star State. **Texas leads the nation in crude oil and natural gas reserves, accounting for 24.2 percent of the nation’s oil reserves and 29.5 percent of the nation’s natural gas reserves. This outstanding performance is being driven by the recovery of oil and natural gas from the Eagle Ford Shale and Barnett Shale using hydrofracturing methods — by 2020 it is expected that nearly 5,000 new oil and gas wells will have been completed in these regions.** Although Texas is better known for its oil than its sustainable energy reserves, it also leads the nation in installed wind energy capacity (10,394 MW as of January 2012) — more than double the capacity of the next largest installed wind energy capacity state, Iowa. Texas is home to six of the 10 largest wind power projects in the nation and two of the three largest wind farms in the western hemisphere, Roscoe Wind Farm and Horse Hollow Wind Farm.

Petroleum Refining and Chemical Products: Texas also has a long history of leading the nation in petroleum refining and chemical products production. More than 400 chemical plants and refineries along the Texas Gulf Coast represent the largest petrochemical complex in the world and employ about 33,000 Texans. Twenty-six petroleum refineries process about five million barrels of crude oil per day. The ExxonMobil refinery in Baytown is the number-one refinery in the nation for input capacity based on barrels per calendar day, and seven others are ranked in the top 20 — all of which contribute to Texas accounting for 26.6 percent of the nation’s oil-refining capacity.

Chemical manufacturing is closely related to petroleum refining because it frequently converts natural petroleum, petroleum byproducts, and other materials into thousands of chemical compounds for use in manufacturing or other industries — including pharmaceuticals, fertilizers, and construction materials. Texas’ chemical manufacturers account for more than 50 percent of total U.S. chemical production. Recent development news includes [Ascend Performance Materials’ plans to construct a \\$1.2 billion propane dehydrogenation facility in Alvin](#) to manufacture propylene, a common chemical building block for plastic and synthetic fiber products.

...And Big Projects Keep Coming

[Tenaris recently announced it would build a new, \\$1.3 billion steel pipe manufacturing facility in Matagorda County](#), creating 600 jobs. The one-million-square foot plant will include a state-of-the-art seamless pipe mill, heat treatment, and premium threading facilities. When completed, the plant will produce 600,000 tons of pipe annually for the energy industry. The state is providing \$6 million through the Texas Enterprise Fund (TEF) to close the deal. Governor Perry recruited company leadership during an economic development trip to Italy.

“We appreciate the assistance provided by the Governor, his staff, and the many local officials involved in this significant milestone for Tenaris,” says Tenaris North America President Germán Curá. “We chose Texas and Matagorda County because of the strong business climate and its proximity to transportation hubs, a skilled work force, and Houston, which is the epicenter of the energy industry and home of our North American headquarters. We look forward to a long partnership with the community and making a lasting contribution to the state and Matagorda County.”

“The most profound statement about our favorable economic climate comes when companies like Tenaris make an investment of this size in our state. That says that not only is Texas the best place for them to grow their businesses now, but they’re confident it will remain that way moving forward,” concludes Governor Perry.

And, in early May, [Emerson Process Management announced plans to expand one of its major facilities in Houston](#), creating 126 new jobs and representing \$9.5 million in capital investment. The state is providing \$1 million through the TEF to close the deal on this project.

“Our history in Texas dates back to 1929 and this area remains critical to our growth plans and service level commitments,” said company President David Plum. This facility serves as a center of excellence for valve automation engineering and manufacturing expertise, while providing a showroom where customers can work directly with Emerson employees to develop solutions and

improve products.

A Letter from Rick Perry, Governor of Texas



Greetings:

Texas Wide Open for Business is more than just a promise — it's an environment we've created in the Lone Star State to stimulate business growth, train the future work force, and make Texas the greatest place to live and raise a family. For many years now, Texas has been providing businesses the opportunity to grow and prosper in a state with unparalleled infrastructure, a premier geographic location, a predictable regulatory environment, and a well-educated work force of 12.6 million Texans. The fact that Texas has led the nation in job creation for more than a decade is proof of our success.

As a global leader in economic development, Texas is committed to working alongside employers worldwide to ensure ideal conditions for job creation and economic prosperity. This is why Texas has tools like the Texas Enterprise Fund — a “deal-closing” fund for projects that offer significant projected job creation and capital investment — to ensure the growth of Texas businesses and create more jobs in Texas.

In addition to our exceptional quality of life and robust economic climate, Texas has one of the lowest business tax burdens in the United States. Texas also levies no personal income tax, allowing businesses to pass on more value to their employees.

Texas continues to be in the spotlight for attracting companies and jobs from around the globe. Month after month, the Lone Star State tops business rankings for business climate, job growth, and its growing communities. Texas is a leading state for Fortune 500 and 1000 companies and is the No. 1 exporting state in America for the 11th year in a row. It's no wonder that in two recent surveys, CEOs and site consultants ranked Texas as the “Best Business Climate” in all 50 states.

Texas is doing what it takes to help businesses succeed and create jobs. That's why as Governor of this great state, I invite you to come and see why Texas Wide Open for Business is more than a promise — it's a reality. For more information, please visit www.texaswideopenforbusiness.com.

Sincerely,

A handwritten signature in cursive script that reads "Rick Perry".

Rick Perry
Governor of Texas