DEFENSE BASE REALIGNEMENT AND CLOSURE COMMISSION
2521 S. CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950

MEMORANDUM OF MEETING

DATE:	**July 21, 2005**
TIME & PLACE:	**10:15 am—Cannon Building**
MEETING WITH:	**Rep. Dan Boren, Second District of Oklahoma** **Jason L. Buckner, Military Legislative Assistant** **Stephen Moffitt, Consultant with Whyte Hirschboeck Dudek Government Affairs, LLC** **Mark Jordan, Federal Managers Association**
OBJECTIVE:	**To discuss BRAC actions involving McAlester Army Ammunition Plant.** **Meeting requested by the Congressional Representatives.**
BRAC STAFF:	**Charles Battaglia, Executive Director** **Dave Van Saun, Technical Cross-Service Team Lead**

OTHER COMMISSION PARTICIPANTS:

None

MEETING RESULTS/FOLLOW-UP ACTION:

Congressional representatives pitched how Oklahoma has room to grow and is very "friendly" to DOD. They made a specific pitch for the McAlester Ammunition Plant to become the Joint Ammunition Center of Excellence for Packaging, Handling, Shipping, & Transportation. They also made five other recommendations for consideration to bring additional functions to the McAlester Ammunition Plant. All six recommendations are spelled out in the attached briefing for the record. The Joint Cross Service Team will consider their recommendations in our deliberations.

Library Routing Slip 2005 BRAC Commission Materials
Title of Item: McAlester, OK Delegation Request
Installation or Community: McAlester Army Ammunition Plant
Source: Congressional Representatives
Certified Material? _____ yes ✓ no
Analyst / Provider David Van Saun Date Received: 7/25/05

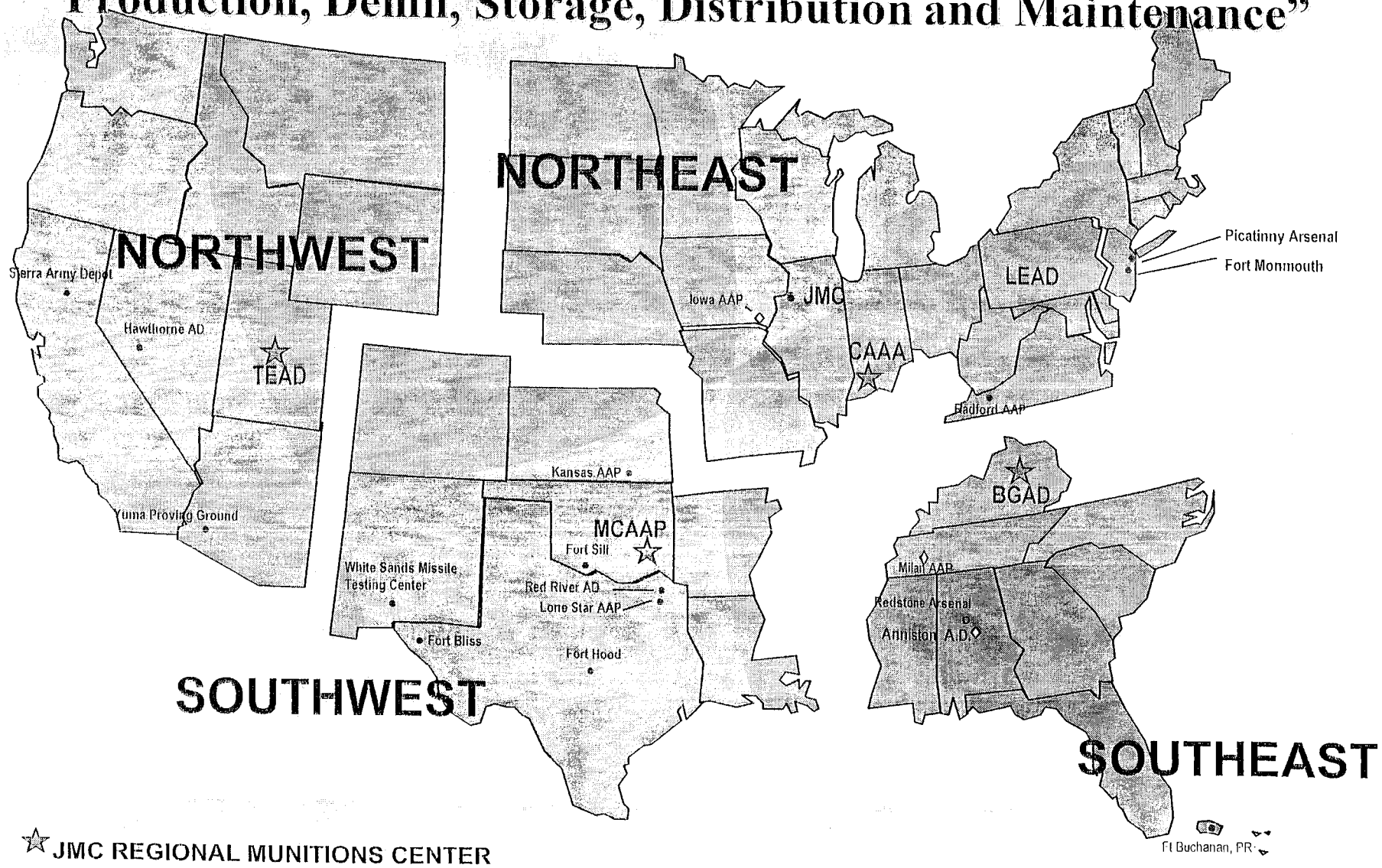
McAlester, Oklahoma

Delegation Requests

BRAC 2005

Federal Managers
Association
July 2005

BRAC '05 Designates McAlester Army Ammunition Plant (MCAAP) as a "Munitions Center of Excellence for Munitions Production, Demil, Storage, Distribution and Maintenance"



McAlester, Oklahoma

- ✓ Centrally located in the U.S.
- ✓ Major transportation hub
- ✓ Cost of Living Index*
  - McAlester, OK: 77.8
  - Newark, NJ: 133.5
  - Jackson, TN: 87.7
  - Indiana County, PA: 93.6
- ✓ Labor Rates: New Jersey has 79% greater locality pay rate than McAlester
- ✓ 4 Regional Universities and Two State Colleges
- ✓ State-of-the-art Health Center

*Second quarter 2005, ACCRA, Arlington, VA

McAlester Delegation BRAC Requests

Joint PHS&T Center

- BRAC Recommendation/Justification: Movement of all the Services' guns and ammunition work to Picatinny Arsenal to create a joint center of excellence…featuring a Joint Packaging, Handling, Shipping, & Transportation (PHS&T) Center.

- Delegation Request #1: Designate the Defense Ammunition Center (DAC), McAlester, OK as the Joint Ammunition Center of Excellence for Packaging, Handling, Shipping, & Transportation.

- Justification:
  - ✓ BRAC '95 realigned DAC from Savanna, IL to McAlester, OK at a cost of $33M which created new test facilities, on/off road test courses, electronic test lab, and inert component storage facilities.

McAlester Delegation BRAC Requests

Joint PHS&T Center

- Justification (continued):
  - ✓ DAC has a matrix network of approximately 1,000 Quality Assurance Specialists (Ammunition Surveillance)(QASAS) and Ammunition Managers located worldwide who provide constant field feedback concerning ammunition logistics issues and problems.
  - ✓ DAC conducts Military Standard 1660 testing, for all Military Services, on ammunition unit loads to certify for safe transport within commercial and tactical operations.
  - ✓ DAC is designated as a United Nations Performance Oriented Packaging (UN POP) test agency to ensure containers which contain hazardous material are safe for transport across the private domain.

McAlester Delegation BRAC Requests

Joint PHS&T Center

- Justification (continued):
  - ✓ DAC's joint logistics engineers support all Military Services, DoD, Federal Regulatory Agencies, NATO, and allied countries.
  - ✓ DAC provides engineering design support for conventional and chemical ammunition through the development of the Army standard packaging, handling, unitization, storage and outloading procedures (OSC 10-23)
  - ✓ DAC coordinates procedure signoff approvals through numerous agencies, Dept. of Transportation, American Association Railroads, Coast Guard and Bureau of Explosives (AR 740-1)
  - ✓ DAC presents certification training to DOD students to meet 49 CFR hazardous materials packaging/shipping requirements and training to meet international treaty agreements to inspect and recertify ISO shipping containers for use

McAlester Delegation BRAC Requests

Lone Star Army Ammunition Plant, TX

- BRAC Recommendation: Multiple Launch Rocket System (MLRS) Artillery functions to Milan Army Ammunition Plant (AAP), TN

- Delegation Request #2: MLRS Artillery functions (Load, Assemble and Pack) to McAlester Army Ammunition Plant (MCAAP)

- Justification:
  - ✓ MCAAP supports Army MLRS training at Fort Sill, OK in regional Centralized Ammunition Management (CAM)
  - ✓ Decreased life-cycle costs in shipping for MLRS vs. Milan AAP
  - ✓ Improved readiness due to central location and proximity to Fort Sill, OK with capability to support either coast
  - ✓ Facilities in place to provide life cycle management functions

McAlester Delegation BRAC Requests

Red River Munitions Center, TX

- BRAC Recommendation: Relocate depot maintenance of tactical missile to Letterkenny Munitions Center (LEMC), PA
- Delegation Request #3: Patriot Missile and Multiple Launch Rocket System (MLRS) storage and maintenance to McAlester Army Ammunition Plant (MCAAP)
- Justification:
  - ✓ RRMC has been part of MCAAP's TDA since 1997
  - ✓ MCAAP supports Fort Sill, OK and Fort Bliss, TX in regional Centralized Ammunition Management (CAM)
  - ✓ Decreased life-cycle costs in shipping for Patriot and MLRS vs. LEMC
  - ✓ Improved readiness due to central location and proximity to Fort Sill and Fort Bliss with capability to support either coast

McAlester Delegation BRAC Requests

Red River Munitions Center (RRMC), TX

- BRAC Recommendation: Close Red River Munitions Center
- Delegation Request #4: Move the Test, Measurement and Diagnostic Equipment (TMDE) Activity Function located at RRMC to McAlester Army Ammunition Plant (MCAAP)
- Justification:
  - ✓ TMDE activity located at MCAAP to support ammunition manufacturing, maintenance and demilitarization programs.
  - ✓ Facilities are in place to accept the TMDE function currently performed at RRMC.
  - ✓ Based on the close proximity, moving this function to MCAAP would provide the most cost effective transition as well as increased retention of technically skilled staff.
  - ✓ DAC currently has design mission for TMDE gages; co-locates engineers with critical mission support function

McAlester Delegation BRAC Requests

Red River Munitions Center (RRMC), TX

- BRAC Recommendation: Close Red River Munitions Center
- Delegation Request #5: Move intern/apprentice training mission provided by AMC Logistics Leadership Center (LLC) to the Defense Ammunition Center (DAC), McAlester, OK
- Justification: DAC provides intern training for two AMC career programs. Moving LLC training mission to DAC would facilitate smooth and cost effective transfer of this function.

McAlester Delegation BRAC Requests

Red River Munitions Center (RRMC), TX

BRAC Recommendation:
Munitions Maintenance Function to MCAAP and Blue Grass Army Depot (BGAD), KY

- Delegation Request #6:
  All conventional ammunition maintenance functions to MCAAP

- Justification:
  - ✓ MCAAP is centrally located with existing facilities
  - ✓ Decreased relocation costs vs. moving conventional ammunition to BGAD
  - ✓ MCAAP has three times the storage capacity vs. BGAD
  - ✓ Lower labor rates

McAlester Delegation BRAC Requests

Kansas Army Ammunition Plant (KAAP), KS

- BRAC Recommendation: Relocate Missile Warhead function to Iowa AAP, Iowa.
- Delegation Request #7: Clarify BRAC language to relocate KAAP Missile Warhead workload to MCAAP.
- Justification:
  - ✓ BRAC '05 recommendation moves Missile Warhead production to MCAAP.
  - ✓ Eliminates confusing terminology regarding relocation of Missile Warhead production and function

TECHNICAL
JOINT CROSS SERVICE GROUP

ANALYSES
AND
RECOMMENDATIONS

(VOLUME XII)

19 May 2005

Create an Integrated Weapons & Armaments Specialty Site for Guns and Ammunition

Recommendation: Realign the Adelphi Laboratory Center, MD, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign Naval Surface Warfare Center Division Crane, IN, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign the Fallbrook, CA, detachment of Naval Surface Warfare Center Division Crane, IN, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign Naval Surface Warfare Center Division Dahlgren, VA, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign the Louisville, KY, detachment of Naval Surface Warfare Center Division Port Hueneme, CA, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign Naval Air Warfare Center Weapons Division China Lake, CA, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign Naval Surface Warfare Center Division Indian Head, MD, by relocating gun and ammunition Research and Development & Acquisition to Picatinny Arsenal, NJ.

Realign Naval Surface Warfare Center Division Earle, NJ, by relocating weapon and armament packaging Research and Development & Acquisition to Picatinny Arsenal, NJ.

Justification: This recommendation realigns and consolidates those gun and ammunition facilities working in Weapons and Armaments (W&A) Research (R), Development & Acquisition (D&A). This realignment would result in a more robust joint center for gun and ammunition Research, Development & Acquisition at Picatinny Arsenal, NJ. This location is already the greatest concentration of military value in gun and ammunition W&A RD&A.

Picatinny Arsenal is the center-of-mass for DoD's Research, Development & Acquisition of guns and ammunition, with a workload more than an order of magnitude greater than any other DoD facility in this area. It also is home to the DoD's Single Manager for Conventional Ammunition. Movement of all the Services' guns and ammunition work to Picatinny Arsenal will create a joint center of excellence and provide synergy in armament development for the near future and beyond, featuring a Joint Packaging, Handling, Shipping and Transportation (PHS&T) Center, particularly important in this

current time of high demand for guns and ammunition by all the services. Technical facilities with lower quantitative military value are relocated to Picatinny Arsenal.

This recommendation includes Research, Development & Acquisition activities in the Army and Navy. It promotes jointness, enables technical synergy, and positions the Department of Defense to exploit center-of-mass scientific, technical, and acquisition expertise within the weapons and armament Research, Development & Acquisition community that currently resides at this DoD specialty location.

Payback: The total estimated one-time cost to the Department of Defense to implement this recommendation is $116.3M. The net of all costs and savings to the Department during the implementation period is cost of $81.2M. Annual recurring savings to the Department after implementation are $11.3M with a payback expected in 13 years. The net present value of the costs and savings to the Department over 20 years is a savings of $32.6M.

Economic Impact on Communities: Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 11 jobs (5 direct jobs and 6 indirect jobs) over the 2006-2011 period in Bakersfield, CA, Metropolitan Statistical Area which is less than 0.1 percent of economic area employment.

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 83 jobs (43 direct jobs and 40 indirect jobs) over the 2006-2011 period in the Bethesda-Frederick-Gaithersburg, MD, Metropolitan Division, which is less than 0.1 percent of economic area employment.

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 421 jobs (289 direct jobs and 132 indirect jobs) over the 2006-2011 period in Martin County, IN, economic area, which is 4.94 percent of economic area employment.

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 126 jobs (67 direct jobs and 59 indirect jobs) over the 2006-2011 periods in the Edison, NJ, Metropolitan Division, which is less than 0.1 percent of economic area employment.

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 506 jobs (296 direct jobs and 210 indirect jobs) over the 2006-2011 periods in the Louisville, KY-IN, Metropolitan Statistical Area, which is less than 0.1 percent of economic area employment.

Assuming no economic recovery, this recommendation could result in a maximum potential reduction of 302 jobs (146 direct jobs and 156 indirect jobs) over the 2006-2011 periods in the San Diego-Carlsbad-San Marcos, CA, Metropolitan Statistical Area, which is less than 0.1 percent of economic area employment.

MCAAP
STUDY

103-06A – A - M – Memorandum of Meeting (attachment)
Army – McAlester Army Ammunition Plant - OK
BRAC COMMISSION – FY 2005
COFF:_____ DISPOSITION: Permanent

OVERVIEW: BUSINESS FACILITY PLANNING CONSULTANTS, LLC

BFPC provides corporate clients with a wide range of counsel and assistance related to planning, location, and development of new facilities and other large capital investments. The firm's staff has been selected to guide some of the largest new and expanded business facility investments in North America.

BFPC also makes these skills available in an appropriate professional manner to states, communities, and other organizations interested in enhancing development of their region or land.

The project manager proposed for the McAlester EDS project is Jim Bruce, who has provided counsel to diverse private and public clients on positioning their facilities and operations to achieve corporate goals. Jim has been a consultant to some of the largest business location projects in North America: Toyota's first US assembly plant, which located in Georgetown, Kentucky; the United Airlines maintenance base in Indianapolis; and a new Navistar International truck plant in Escobedo, Nuevo Leon, Mexico; and many others. He has recently studied Oklahoma as a location for a major auto supplier and other facilities.

An important part Jim's consulting work for business is a "mirror image" service which provides counsel to cities, states, and others interested in preparing and promoting their area as a location for the right kind of economic activity. This work has been for an exceptionally diverse range of clients, ranging from the Harlem Commonwealth Council in New York, to a consortium of Native American tribal governments in the Pacific Northwest, to dozens of states, chambers of commerce, and other groups. He has conducted economic development assignments for the State of Oklahoma and other clients in and near Oklahoma.

Jim completed his undergraduate work at Emory University and has a master's degree from Harvard in regional economics. He has taught on an adjunct basis at several academic institutions including Princeton, Carnegie-Mellon, Oklahoma Institute of Technology, Auburn, and the US Military Academy; and has been a speaker at many seminars and professional educational programs such as those of various state/regional economic developers associations and the International Economic Development Council. He is a former VISTA, served on an advisory committee to the Director of the US Census on improving economic data, and was a volunteer consultant to a minority business which successfully started a shopping center in a low-income, inner-city neighborhood. As a member of the New York Harvard Business School Club, he coordinated a committee of volunteer experts providing counsel to the New York City Ports and Terminals Department on redevelopment of surplus industrial property. He is based in Atlanta.

EXPERIENCE IN ENHANCING ECONOMIC RELATIONSHIPS BETWEEN FEDERAL FACILITIES AND LOCAL COMMUNITIES AND DEVELOPMENT ORGANIZATIONS

The BFPC staff is experienced in providing counsel to communities and local or regional economic development groups to enhance growth and development related to federal government facilities located in their areas. These include:

Federal Facilities	Economic Development Group
Marshall Space Flight Center US Army Aviation & Missile Command	Huntsville-Madison County Chamber of Commerce
Fort Bragg	Fayetteville Area Economic Development Corporation
Fort Stewart	Long County Development Authority
Warner Robins Air Logistics Center	Multiple Organizations
US Department of Energy Hanford Site	Tri-City Economic Development Council
US Department of Oak Ridge Operations	Oak Ridge Chamber of Commerce
Radford Army Arsenal	Private Industrial Client
Pacific Northwest National Laboratory	Pacific Northwest National Laboratory Economic Development Department

ILLUSTRATIVE ECONOMIC DEVELOPMENT EXPERIENCE

The BFPC staff has provided development services for the following areas:

State/Country	State -wide	City/ Region	Airport /Port/ Local	Utility	Other Public	Private Developer/ Landowner
Alabama		X	X	X		
Arkansas	X			X		
California		X	X	X		
Connecticut						X
Dist of Columbia						X
Georgia	X	X	X	X		X
Idaho		X				
Illinois						X
Indiana			X	X		
Kansas	X	X	X			
Kentucky			X			X
Maryland						X
Oklahoma						X
New Jersey					X	X
New Mexico	X					
New York	X		X		X	X
North Carolina		X	X			X
North Dakota	X					
Ohio			X		X	X
Oklahoma	X					X
Oregon			X			X
Pennsylvania	X		X			X
South Carolina						X
Tennessee	X		X			X
Texas			X			X
Virginia		X	X			
Washington		X	X			X
West Virginia	X	X	X			
Wyoming			X			
Australia		X				X
Canada			X			X
Great Britain	X					X
Mexico	X					X
New Zealand					X	
Saudi Arabia	X					X

ILLUSTRATIVE BUSINESS CLIENTS

The BFPC staff has managed consulting engagements for firms such as:

Aeronautics & Air Transportation

- Boeing
- Huntsville Airport
- Lockheed Martin
- NASA
- United Airlines

Automotive Assembly & Suppliers

- Bridgestone/Firestone
- DaimlerChrysler
- International/Navistar
- Libbey-Owens-Ford/Pilkington
- Toyota
- Volvo Auto
- Volvo Truck
- Volkswagen

Chemicals

- Matsutani Chemical Industries
- Toray Group
- TotalElfFina/Elf Aquitaine

Consumer Products and Services

- Chesebrough-Ponds
- Holiday Inns
- Loro Piana/Warren Mill
- Tractor Supply
- The Gap
- Vanity Fair

Development & Construction

- Hillwood
- Mallard-Fox Creek Industrial Park
- Maspeth Queens Industrial Park
- Midpointe Centre
- Obayashi Corporation
- Port Authority of NY and NJ

Electric Utilities

- Entergy
- Georgia Power
- Sacramento Mun. Utility Dist.
- Spokane & Kalispell Tribes
- Tennessee Valley Authority

Electronics

- Mitsubishi
- Panasonic/Matsushita
- Polyclad Laminates

Finance

- Citibank
- Citicorp
- First State Bank

Food & Beverage

- Coca-Cola
- Frito-Lay
- Hakushika
- Kellogg's/Mrs. Smith's Frozen Foods

Industrial Products

- Honeywell/Allied Corporation
- PPG Industries
- Vogt Machine Company

Marine Transportation

- Carolina Shipping
- Port of Tell City

Metals and Metal Products

- Alcoa
- Allegheny Technologies
- Allsteel
- Wire Rope Corporation of America

Paper/Packaging/Printing

- Georgia-Pacific
- Sweetheart/Maryland Cup
- Newhouse Group
- Procter & Gamble
- Quebecor World/Diversified Printing

Pharmaceutical & Biotech

- Bristol-Myers Squibb
- Dupont
- Johnson & Johnson
- Mallinckrodt
- Pharmacia
- Weigen

REPORT TO

McAlester Economic Development Service, Inc.

ECONOMIC DEVELOPMENT STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS

BUSINESS FACILITY PLANNING CONSULTANTS, LLC
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Norcross, Georgia 30010-0280
(770) 840-8098

JimBruce@BFPC.biz

December 31, 2004

EXECUTIVE SUMMARY

McAlester Economic Development Service, Inc., has retained Business Facility Planning Consultants, LLC, to conduct a series of economic development studies. This report, one in a series to be submitted as part of the project, addresses key Strengths, Weaknesses, Opportunities, and Threats of the McAlester area, from the perspective of economic development.

Strengths of the McAlester area dominate BFPC's findings and include:

- The community's moderate and stable cost profile, which allows McAlester to be a competitive economic environment for many types of businesses and experience lower capital and operating costs than many other areas in the US. Expenses for staffing, construction, industrial land, taxes, cost of living, and other essentials are all demonstrably below the national and regional averages for many business and industry sectors. The documentation of these savings potentials is a great economic development tool.

- Widespread commitment to economic development across a range of local and regional political and social organizations. While members of the community hold diverse opinions on many subjects, there appears to be fairly universal dedication to promoting business and industrial development. BFPC was impressed with MEDS' professionalism and energy promoting and encouraging economic development and the support provided to it by a wide spectrum of people and organizations.

- Similarly, a high level of community development including public services (schools, municipal services, utilities) and preparedness for growth.

- McAlester's role as the largest community and economic center in Southeast Oklahoma, which has led to several assets including very large local health care and retail sectors and impressive educational facilities. McAlester is a more sophisticated and diverse community, with a higher quality of life, than many others of its size.

- A positive state business climate in Oklahoma.

- The presence of the McAlester Army Ammunition Plant, one of the most important US Defense Department munitions centers. The Plant and community have been good for each other; a key aspect of the current study is to identify ways in which this synergy can be advanced further.

- A comparatively high level of satisfaction among existing businesses and employers with local and state business conditions.

- An attractive and productive natural environment. Abundant rainfall provides McAlester with water for human, agricultural, and industrial use, and allowed construction of several lakes (such as Lake Eufaula, the state's biggest and 15th-biggest manmade lake in the US), which have in turn produced recreational opportunities and water-oriented development.

Weaknesses include:

- McAlester's relative remoteness from major urban areas that provide commercial air service and other critical services. Although highway quality has improved in recent years, making it easier to get to and from Dallas, Oklahoma City, and other metropolitan areas, it is nonetheless still time-consuming to travel to and from the community from parts of the US.

- Plant closings and loss of jobs in some industries although these have generally been sectors having economic problems on a national level rather than any difficulty attributable to McAlester or Oklahoma.

- A historically volatile local and regional economy, which has caused major cyclical ups and downs in employment, investment, and socioeconomic conditions. Some of these have been inherent to the Oklahoma economy (for example, the State's high level of energy extraction/processing, whose economic health varies widely), but some appear specific to the McAlester area. One such concern is the relatively low level of manufacturing and related industrial activities. In many smaller urban areas like McAlester, such industries are often large and relatively stable elements of the local economy; many have relatively high wages, employee benefits, capital investment, and favorable spin-offs and multipliers for the local economy.

- Perhaps as a result of the economic swings, some serious socioeconomic problems in the region. This includes a portion of the population higher than state or national average in poverty status, lower average educational attainment, higher rates of some diseases and social problems.

McAlester has a number of exciting **Opportunities**. Its recent success attracting important new industrial plants (Simonton), retail outlets (Lowe's), and advanced-technology facilities (Tandem Technologies) can be the start of a dramatic new round of economic expansion and diversification.

Probably the greatest **Threat** would be lack of resolve to maintain economic development as a community priority. Most local development has occurred due to community leadership's will to make it happen and active implementation.

More data on these and other strengths, weaknesses, opportunities, and threats are described in the text of this report.

INTRODUCTION

Purpose of the Project

McAlester Economic Development Service, Inc. (MEDS) is commissioned to promote the growth and development of McAlester, Oklahoma, and surrounding Pittsburg County. MEDS and its allies such as the Oklahoma Department of Commerce conduct a number of ongoing activities and programs designed to encourage new and expanded business and industrial investment and activity and other enhancements to the local economy.

MEDS has engaged Business Facility Planning Consultants, LLC, to conduct a strategic study of the area's characteristics that affect economic development. BFPC works primarily with growing private businesses to assist them to plan and locate new and expanding facilities. MEDS has directed BFPC to conduct this study from that perspective and concentrate on features that affect McAlester's attractiveness as a location for private business investment. The result is this document, one of several which BFPC will submit during the assignment, which encapsulates the economic Strengths, Weaknesses, Opportunities, and Threats of the community. This approach is known as a SWOT Analysis. The report offers some overall description of local conditions in order to provide a context; however, most general business and economic conditions of McAlester, Pittsburg County, and Oklahoma have already been well documented and so it makes most of its observations about particular conditions which fall into the SWOT categories.

Work by BFPC to develop this report included one week on site in McAlester by a team of three professional staff, who observed key community characteristics and conducted interviews with over 35 individuals and organizations. There have been several subsequent visits on a smaller scale. Additional research was based on data developed by public and government agencies such as the US Departments of Commerce and Labor, the Oklahoma Department of Commerce, the Oklahoma Employment Security Commission, and others; many private data bases, and the experience of the BFPC staff conducting site selection and economic development studies of every US state.

An original draft of this report was submitted for review by MEDS and appropriate other persons and organizations interested in advancing the McAlester area economy. This final version reflects comments and feedback based on the original draft.

Community Description

Geography. The largest urban area and economic center of Southeast Oklahoma, the City of McAlester is located about 90 miles south of Tulsa and 115 miles southeast of Oklahoma City. Along with surrounding Pittsburg County, it compromises the McAlester Micropolitan Area (a new US Census designation for important smaller urban areas) and has a population estimated at over 50,000.

US Highway 69 and the Indian Nations Turnpike run north and south through the area, and US Highway 270 runs east and west. In addition, McAlester lies only 40 miles south of Interstate 40. With Arkansas a short distance to the east and Texas to the south, McAlester is strategically accessible to many larger markets.

Of the eleven eco-regions of Oklahoma, McAlester is close to three: the Ouachita Mountains, the Sandstone Hills, and the Red River Region. The high sandstone ridges of the Ouachita Mountains overlook the shared border of Oklahoma and Arkansas. Rich in oil fields and blanketed by blackjack and post oak forests, the Sandstone Hill region opens out just west of the Ouachita Mountains. South of these two regions and bordering Texas, the Red River Region includes hardwood forests and fertile prairies.

Southeastern Oklahoma has a temperate climate. A generous average annual precipitation rate of 50 inches and snowfall of 2 inches nourishes the fertile natural resources of the area. The climate has provided adequate water for a wide range of human, agricultural, and industrial needs as well as supplying several large attractive lakes that have spawned tourism and resort development. This is particularly favorable since rainfall declines significantly as one moves westward; some parts of western Oklahoma have less than half the average annual precipitation that falls in McAlester. The community has seen tourism and recreational development around Lake Eufaula. It is probable that significant numbers of tourists are drawn from areas that are more arid or where access to lakes and water-based recreation is more difficult.

Historic Background. Native American tribes, relocated here from the East in the 1830's, comprised the first major "outside" settlement in this part of the state. Another considerable period of growth followed the 1889 Oklahoma land rush when many Caucasians, mostly from the Southeast, relocated to the region. Still another influx, mostly of Italian immigrants, came to the area via to work the mines. By 1920, Pittsburg County and its cities had over 52,000 residents.

Much of its 19th century economic development concentrated on mining energy resources, especially coal. Pittsburg County was named after the Pennsylvania city in expectation that this region would also become a center of coal mining and coal-powered industry. (At the time, the original city spelled its name without the

"h.") During the Civil War both Union and Confederate forces fought for control of this region, an uncommon situation this far west. This shows that McAlester and its surroundings were regarded as important even at that point in history.

Regrettably, however, McAlester and surrounding parts of Oklahoma suffered during the Depression, worsened by the "Dust Bowl" drought episode in the 1930's. Population declined for several decades and the region did not experience a consistent resurgence of growth until the 1960's. Since then it has been affected by the economic fluctuations of the petroleum industry. Its growth has occurred irregularly although it has stabilized in recent years. Population growth in the 1990-2000 decade was healthy and similar to that of the state, following modest growth in the prior decade. According to the US Census, the growth rate was 8.3% although local officials believe that it was significantly higher and have data which support this case.

There is a clear trend of outward expansion from Oklahoma City, Tulsa, and Dallas in the direction of McAlester. Extensive new economic development has occurred in several communities that are generally similar to McAlester, such as Durant, that happen to be closer to this suburban and exurban development trend. It is probable that McAlester has already begun to benefit from this trend and will do so at a greater pace in the future.

Current Economy

The McAlester area economy has a number of features that distinguish it from that of the State of Oklahoma and from some other smaller urban areas. Exhibit 1, **Employment by Economic Sector for Pittsburg County, the State, and the US**, represents several characteristics of economic sectors in Pittsburg County and compares them with comparable state and US data.

Among the most noteworthy distinctions is the very high percentage of the local workforce engaged in health care and related areas. Nearly a quarter of Pittsburg County's citizens find employment in this sector, nearly twice the national figure and an especially high level for a smaller urban area. The fact that McAlester has well-regarded health care facilities makes it the provider of choice for people in a very large region of Oklahoma, Texas, and Arkansas. In addition to basic health care facilities, Pittsburg County also has an upscale dedicated treatment center, Narconon Arrowhead, specializing in the rehabilitation of the chemically addicted.

Accordingly, Retail and Accommodation/Food Service sectors substantially larger than those at the state and national levels confirm the community's dominant position as a regional center for many key activities such as shopping and dining. The presence of retail facilities such as a Wal-Mart Super Center and a new Lowe's, in conjunction with a remarkable collection of restaurants and dining facilities—including special amenities not often found in smaller and medium-sized communities—validates the importance of these sectors. The McAlester area's famously charming Italian restaurants highlight the émigrés' influence on its historic past.

The largest facility and employer in the region is the McAlester Army Ammunition Plant (MCAAP). Located south of the city, this US Defense Department facility is the nation's largest producer and distributor of conventional (non-nuclear) munitions. It was established in 1943 and continues as a vital part of the economy. Community leaders are investigating ways in which the MCAAP can be further supported. Another major public facility is the Oklahoma State Penitentiary which has been here since 1908.

The large retail, health care, service, and government sector presence in the area is an impressive and favorable condition, but calls attention to the area's relatively smaller presence in some other economic sectors. Manufacturing, wholesale trade, and transportation are smaller than state and national averages. This is potentially problematic, since those sectors typically fit well into smaller urban areas and often are a major contributor of quality jobs and benefits, capital investment, market generation, taxes, and other important economic results.

While McAlester distinguishes itself with its diverse economic activities and recent growth, there is also evidence that a significant portion of the regional

population is outside the economic majority. Past economic oscillations in trade and industry have apparently caused long-term fiscal displacements and other hardships, especially for specialized or non-educated workers. The percentage of the Pittsburg County population in lower socio-economic conditions is higher than state and national averages. This includes persons with low income and poverty status, as well as the greater prevalence of certain health problems.

At the same time, the McAlester area has a significant presence of higher-end business such as finance, professional and technical services, and corporate management. This is impressive for a community of its size and points out that the McAlester area can support some sophisticated private sector activities. The recent announcement by Tandem Technologies of its selection of McAlester for a new facility validates the community's potential to attract high-end businesses. The presence of four professionals at the McAlester Regional Cancer Center who have received the rare and very demanding oncology nurse certification illustrates the sophistication of services available here.

Strong anecdotal evidence exists that McAlester natives have a strong fondness for the area and seek to stay or to return. The large number of high-end new housing units suggests that many persons from the area that had to leave in order to find jobs are coming home. The region's good telecommunications allow for persons and companies to provide consultation, financial services, and other business services to clients all over the globe from a McAlester location.

Exhibit 1

Employment by Economic Sector for Pittsburg County, the State, and the US

	Pittsburg County	Per Cent of Total Specified Workforce		
Economic Sectors	Employees	Pittsburg Co	Oklahoma	US
Mining	208	2.04%	2.41%	0.42%
Utilities	94	0.92%	0.80%	0.57%
Construction	332	3.25%	5.22%	5.64%
Manufacturing	831	8.14%	13.47%	13.86%
Wholesale Trade	354	3.47%	5.12%	5.34%
Retail Trade	2,069	20.25%	13.92%	12.94%
Transportation & warehousing	105	1.03%	2.88%	3.26%
Information	242	2.37%	3.07%	3.26%
Finance & Insurance	419	4.10%	4.58%	5.43%
Real Estate & retail & leasing	176	1.72%	1.51%	1.75%
Professional, scientific & technical services	202	1.98%	4.43%	6.22%
Management of companies & enterprises	21	0.21%	2.01%	2.50%
Admin, support, waste mgt, remediation	588	5.76%	7.47%	7.88%
Health care and social assistance	2,427	23.76%	14.33%	12.63%
Accommodation & food services	1,376	13.47%	9.01%	8.67%
Other services (except public administration)	512	5.01%	5.36%	4.67%
Auxiliaries exc corp, subsidiary & reg.mgt	30	0.29%	1.63%	0.89%
Other Unclassified	259	2.54%	4.41%	4.41%
TOTAL/AVERAGE OF ABOVE SECTORS	**10,215**	**100%**	**100%**	**100%**

Source: US Commerce Department, County Business Patterns

STRENGTHS, WEAKENESSES OPPORTUNITIES, AND THREATS

An analysis of a community's strengths, weaknesses, opportunities, and threats offers an understanding of the community's current condition and a road map for future development.

- Strengths add value and create a more marketable area for potential investors.

- Weaknesses need to be addressed by the local community leadership. Where weaknesses cannot be directly improved or mitigated in the short to medium term, it is important to identify characteristics and conditions that can counterbalance them from the perspective of economic development.

- Opportunities are areas that have potential for new and expanded local economic activity when taken to action.

- Threats can escalate to a weakness if not tackled.

The following sections summarize these features for McAlester and Pittsburg County. In a study of this type, the authors struggle to put all findings in context and proportion; but this is difficult. To assure that there is no misunderstanding, BFPC wishes to emphasize that on the whole, its findings about McAlester are positive. The overall economic situation in McAlester is much more promising than in many other communities which the team has studied.

STRENGTHS

- The community's generally moderate and stable cost profile allows McAlester to be a competitive economic environment and offers lower capital and operating costs than many locations in the US. Expenses for staffing, construction, industrial land, taxes, and other essentials are demonstrably below national and regional averages for many business and industry sectors.

    - Wage costs are the largest component of operating many types of businesses. These average costs are lower in Pittsburg County than in Oklahoma and the US for all major economic sectors, based on several sources of data. According to the Oklahoma Wage Network (www.oesc.state.ok.us/lmi/edspub/TOC000.htm), the median wage for McAlester employees in all industries is $9.67, which is much lower than Oklahoma City at $11.77, Tulsa at $12.07, and the state average at $11.15. A similar pattern is evident from the US Commerce Department's County Business Patterns. Please see Exhibit 2, **Average Annual Wage by Economic Sector.**

    - Several national studies of tax burden per capita rank Oklahoma quite low (usually around 40 among the 50 states) in total state and local tax costs compared with population. Sales and property taxes for Oklahoma are competitive with neighboring states. The state sales tax is 4.5%, which is lower than bordering state Texas at 6.25%. In addition, Oklahoma' state property taxes are comparatively low relative to fair cash value.

    - The American Chamber of Commerce Researchers Association cost of living index for McAlester is 80.2 in the most recent study (for Third Quarter, 2004). In other words, McAlester's rates for various living costs are 80.2% of the average over 300 North American communities which participated in the ACCRA study. This rate is down from 81.9 % the preceding quarter and is one of the lowest in North America

    - Similarly, the McAlester city cost index compiled by the R.S. Means Construction Cost Estimating System is 75.6, nearly a quarter lower than the US average.

    - McAlester's location close to the geographic center of the US can make it a cost-effective location from which to receive inbound shipments and send outbound shipments to locations throughout North America. The large number of long-haul trucks on US

Highway 69 (possibly more than on Interstate 35) illustrates the importance of this sector. Some companies interviewed for this study indicated that a McAlester location allowed them good access to the large Texas market with lower costs.

- Widespread commitment to economic development exists across a range of local and regional political and social organizations. While members of the community hold diverse opinions on many subjects, there appears to be fairly universal dedication to promoting business and industrial development.

    - Partnership and teamwork illustrate the local economic development effort among both business and local community leaders. From past to present efforts, McAlester's leadership and willingness to work with both new and existing industries ensures a pro-business atmosphere. Fruitful relationships are evident among the community, and local leaders take a serious and active role in promoting McAlester by participating in the several economic development activities. This is not a common situation—many parts of the US have a much less supportive attitude toward business and industry.

    - State government leaders strongly support and promote economic development efforts through means such as transportation construction improvements, enhancing educational opportunities, and monitoring taxes and other business costs.

    - City officials offer a one-stop-shop for new businesses. City-owned water and sewer utilities are readily available, and the local government is willing to coordinate the efforts to extend such resources for business development. Ample water for the area is supplied by McAlester Lake, with the capacity of water plants for 20,000,000 GPD and three storage towers. Sewage treatment capacity is 2,900,000 GPD, and the present load is 2,500,000 GPD. Again, such surpluses are not common.

    - The most recent legislation supported by the citizens of McAlester was a ¼ cent sales tax for economic development, which illustrates the support from the community for future growth.

    - McAlester banks are some of the strongest supporters of economic development efforts.

- McAlester's role as the largest community and economic center in Southeast Oklahoma has led to a very large local health care and retail sector.

    - Healthcare and social assistance is the largest employer in Pittsburg County, and increased 10.31% from 1998 to 2001. One of the main reasons for this growth is the expansion of the McAlester Regional Health Center, a 200-bed not-for-profit, regional hospital that provides a full range of healthcare services to citizens in an 80-mile radius. McAlester Regional Health Center offers diagnostics imaging, MRI-radiology, Home Health Care, a Rehabilitation Care Unit, nursing care, full service cancer center, diabetes center, ambulatory surgery center, dialysis unit, physical therapy services, and access to a helicopter pad. In addition, McAlester Regional Health Center will soon open a wellness center.

    - The area is also home of Narconon Arrowhead, a private facility treating drug and alcohol dependency.

- Recent success in attracting new activities and encouraging expansion of existing companies has occurred in McAlester, which in turn is attractive for other companies to consider McAlester as a potential location. For instance, Simonton Windows recently located to McAlester and now employs over 400 local residents. On the retail side, Lowe's hardware sees McAlester as a retail market opportunity not only within the county but for surrounding counties as well.

- McAlester Army Ammunition Plant (MCAAP), the nation's center for conventional military weapons, is located just south of McAlester and is the largest employer in Pittsburg County. One of the four Tier 1 ammunition storage facilities in the Department of Defense, MCAAP adds to the community's recognition and image on local, state, and federal levels, especially in the nation's current defense situation. In the 1995 BRAC (base realignment and closure) review, DoD decision makers found McAlester to be the appropriate new location for the Defense Ammunition Center following closure of its former home in Savanna, Illinois. From July 1998 to September of 1999 over 229 civilian jobs transferred from Savanna to McAlester.

- Good and solid education and workforce development opportunities strengthen the community's workforce making the community more appealing to new industries as well as to existing industries. Many employers praised the education and training programs offered in McAlester. The ability to work closely with local training organizations for ad hoc and business as usual training programs.

- Kiamichi Technical Center's mission is to "provide workforce training and services throughout Southeastern Oklahoma" by offering full-time and short-term programs, as well as customized programs for business and industry, which has been their driving force over the past ten years. With the motto "careers in progress," Kiamichi is praised for their effective programs, and ability to work closely with businesses' technical and soft-skill training assessments and needs. The extensive use of Kiamichi by McAlester area companies and their universal praise are unusual.

- Continuing and higher education opportunities are available here through Eastern Oklahoma State College's McAlester Branch. which offers two and four-year degree courses from East Central University, Southeastern Oklahoma State University, and other Oklahoma schools.

- Reaching markets in a timely matter is an increasingly vital part of industry; therefore, adequate transportation is extremely important. McAlester's transportation facilities consist of the following:

  - Highways 31, 69, 270, and the Indian National Parkway, which provide McAlester with long-distance access as well as a link less than 40 miles away to Interstate 40.

  - Union Pacific, which runs 12 trains daily through the city along a north-south line connecting Kansas City and the Dallas-Fort-Worth area. A-OK Railroad is a locally-based short line running east and west on the former Rock Island "Sunbelt" line.

  - Local airport with a runway of 5,602 feet. Tulsa is the nearest commercial airport at 102 miles.

- McAlester has two fully functional industrial parks, both having well maintained, available buildings ready for new tenants. Steven Taylor Industrial Park, city-owned, is located in southwestern McAlester and has access to rail, Highway 31, and is one mile from the Indian Nations Turnpike entrance. On the northeast section of town, the McAlester Foundation Industrial Park is the crossroads for Highways 69 and 270, leading to Interstate 40, the east and west major artery connecting the east and west coast. The potential expansion project for Steven Taylor Industrial Park consists of adding a new access road in to the back of the industrial park in addition to adding more telecommunication lines. Such an expansion project creates a more convenient and timely entrance and departure for distribution shipments in addition to improved telecommunications for occupants of the park. Other land and buildings are available.

- Oklahoma's State Motto, *Labor Ominia Vincit* (Labor Conquers All Things), rings true in McAlester with a labor force that is loyal and hardworking in this right-to-work state. Existing employers interviewed as part of the BFPC assignment expressed a high level of satisfaction with the strong work ethic among the workforce. Some employers believe that the history of the workforce from the mining and agriculture industries have chiseled and cultivated a more-rounded and productive workforce.

- Assisted by improving national economic trends but certainly due in part to aggressive local initiative, improvements in local employment have occurred. As seen in Exhibit 3, **Pittsburg County Labor Force & Unemployment, May 2004**, in a year, Pittsburg County's unemployment rate has significantly decreased 1.7 percentage points from 6.2% (May 2003) to 4.5% (May 2004). In comparison to state and national trends, Pittsburg County is 0.1 percentage point higher than the state of Oklahoma at 4.4%, and 0.8 percentage points less than the unemployment rate of the United States at 5.3%. McAlester's unemployment rate for May 2004 is the same as for the entire county of Pittsburg at 4.5%. This is an extremely noteworthy and positive finding, given the high unemployment which has sometimes impacted McAlester and Pittsburg County in the past.

- Over the past six years, the unemployment rates for the nation and for the state of Oklahoma are consistent with each other, unlike the peaks and valleys for Pittsburg, County. In 1999, Pittsburg County's unemployment rate was 6.7 %, significantly above the national and state averages. Over the next two years, the rate dropped the lowest in six years to 3.9%. The rate skyrocketed back to 6.7% in 2002, and since then has steadily declined to a level in line with the state and national levels. In fact, as of May 2004, Pittsburg, County's unemployment rate is lower than the national average of 5.3%. Please see Exhibit 4, **Unemployment Rates for the US, Oklahoma, and Pittsburg County**.

- Many employers cite of the quality of life in McAlester as a strong asset for recruiting and maintaining employees. In comparison with other locations, McAlester was usually described as a family-oriented community with a strong sense of pride and heritage. In addition, citizens find the city manageable and accessible with little traffic and congestion, wide-open spaces with recreational opportunities such as golf, local arts and entertainment, water activities at Lake Eufaula, hunting and fishing. Other recreational and entertainment benefits include local events such as the Italian Festival and Prison Rodeo, and the Southeast Oklahoma Arts and Crafts Show; recreational facilities (16 parks, 10 tennis courts, a country club, 3 swimming pools, and 2 golf courses), and theaters, which enhance the quality of life for the area; and fairly close proximity to metropolitan areas that offers more urban arts and entertainment.

Exhibit 2

Average Annual Wage by Economic Sector

Economic Sectors	Average Annual Wage		
	Pittsburg County	Oklahoma	US
Mining	$33,284	$44,560	$51,516
Utilities	$47,979	$62,655	$64,085
Construction	$17,946	$29,262	$38,079
Manufacturing	$25,483	$33,744	$38,726
Wholesale Trade	$25,184	$35,376	$44,919
Retail Trade	$17,218	$17,931	$21,138
Transportation & warehousing	$21,924	$32,616	$34,529
Information	$24,310	$39,783	$55,164
Finance & Insurance	$26,821	$35,811	$59,786
Real Estate & retail & leasing	$18,932	$23,452	$31,787
Professional, scientific & technical services	$24,515	$38,807	$52,317
Management of companies & enterprises	$53,810	$58,075	$74,021
Admin, support, waste mgt, remediation	$29,049	$19,529	$24,430
Health care and social assistance	$23,539	$27,829	$32,041
Accommodation & food services	$9,484	$10,089	$12,901
Other services (except public administration)	$13,980	$17,237	$214,540
Auxiliaries exc corp, subsidiary & reg.mgt	$33,667	$48,770	$52,319
Other Unclassified	$17,151	NA	NA
TOTAL/AVERAGE OF ABOVE SECTORS	**$20,637**	**$27,556**	**$34,669**

Source: US Commerce Department, County Business Patterns

Exhibit 3

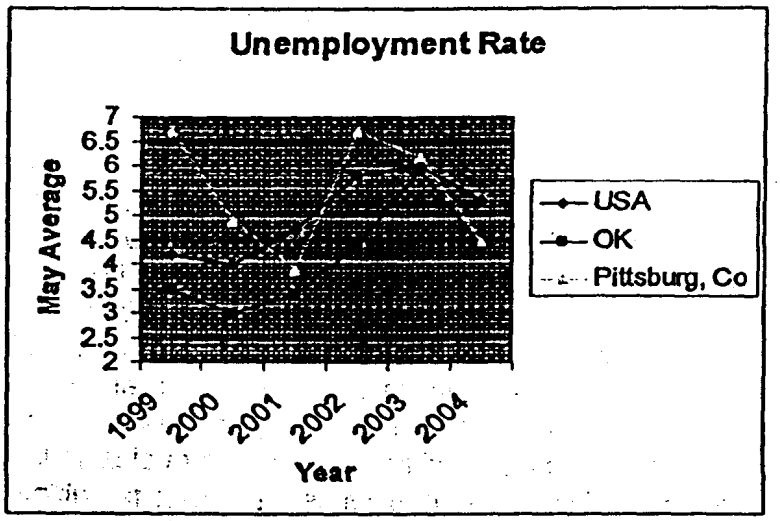
Pittsburg County Labor Force and Unemployment

	May, 2004
Civilian Labor Force	19,950
Unemployed	940
Unemployment Rate	**4.5**
Employed	19,010

Source: Oklahoma Employment Security Commission

Exhibit 4

Unemployment Rates
US, Oklahoma, and Pittsburg County



Source: US Bureau of Labor Statistics

WEAKNESSES

- Although highway quality has improved in recent years, making McAlester more accessible to Dallas, Oklahoma City, and other metropolitan areas, it is still time consuming to travel there due to lack of Interstates, airports, and other major vehicles of transportation.

    - In recruiting many types of business activities to a community, access to a commercial airport is important to accomplish quick trips to and from sister businesses and other markets. Although McAlester has a large local airport, with a runway length of 5,602 feet and some room for expansion there has not historically been a sustainable market for a commercial airline service to survive and make a profit. Most employers interviewed believe that the lack of a commercial airport hinders the growth of the area. A positive is some initial consideration of a new regional airport that may be better able to sustain commercial traffic. In the interim, officials are looking at opportunities for a high-quality "executive" quality limo or shuttle service between McAlester and DFW Airport.

- As stated earlier and illustrated in Exhibit 4, McAlester now has a moderate unemployment rate, but has experienced years of peaks and valleys, which suggests that Pittsburg County has not yet achieved a stable and diverse economy. BFPC is concerned that there is a relatively low level of manufacturing and other industry activities. This sector can be extremely important, especially for a non-metropolitan community, due to the quality jobs, benefits, capital investments, relatively high and stable wages, favorable spin-offs, and multipliers for the local economy which industry can often provide.

- Some serious socio-economical problems exist in the McAlester area, which may be related to the past economic swings. For instance, a higher portion of the population than the state or national average is in poverty status. Lower average educational attainment is also a problem. Coupled with this issue are higher rates of some diseases.

- Population growth is vital for long-term community development, particularly for businesses that depend on healthy local markets. Retail, health care, and other locally-dependent activities are indeed a major component of the McAlester economy. Their managements no doubt pay attention to demographics. According to the 1990-2000 US Census, the Pittsburg County population had somewhat slower growth than the state and national figures. Pittsburg County's growth was 8.3%, modestly lower than the state's at 9.6%, and well below the nation's at 13.1%. Please see Exhibit 5, **Population Change 1990-2000**. Some local officials believe

that the official population growth rate for McAlester and Pittsburg County understate actual growth, and cite evidence such as new housing units developed and occupied. Whatever the actual rate, it is clear that 1990-2000 growth was at least similar to the State's and well above the very modest growth experienced in the area between 1980 and 1990.

- The population trends in Pittsburg County show increase in all age segments, except for the "under 18" segment, as shown in Exhibit 6, titled **Population Age Distribution Change 1990-2000**. The local population is aging, but at a slower rate than both state and national trends. In addition, the working age is slightly increasing while the age segment 18-24 remains the same. Included in the same data, the age segment "under 18" population decreased by two percentage points over the past ten years. This finding emphasizes the need for McAlester and Pittsburg County to develop more economic opportunities for young people. There is some unavoidable tendency for younger persons to leave smaller urban areas to attend college, enter the military, cut the apron strings, or just experience the bright lights of Dallas; but many seek to return home once they are ready to settle down. If they do not find reasonable employment opportunities here, however, they will most likely stay away and their children will call Dallas or Kansas City home.

- Other concerns expressed from local employers regarding labor included some questions about worker quality issues at the lower end of the wage scale, frustration in competing with McAlester Army Ammunition Plant's ability to offer higher wages for some manufacturing positions, and distress related to problems of basic skills in mathematics among secondary students.

Exhibit 5

Population Change 1990-2000

	1990 Census	2000 Census	Change (%)
Pittsburg County	40,581	43,953	8.3%
Oklahoma	3,145,585	3,450,654	9.6%
United States	248,709,873	281,421,906	13.1%

Source: US Census Bureau

Exhibit 6

Population Age Distribution Change 1990-2000

Age Segment	1990 Census	Percent of Total	2000 Census	Percent of Total
Under 18	10,064	25%	10,034	23%
18-24	3,134	8%	3,714	8%
25-64	19,998	49%	22,669	52%
65 and over	7,385	18%	7,536	17%
County Total	40,581	100%	43,953	100.0

Source: US Census Bureau

OPPORTUNITIES

- Overall community leadership is strong in McAlester and Pittsburg County. BFPC was impressed with the widespread commitment to economic development. Some specific recommendations will be made later in this project; but the following illustrate opportunities to strengthen local economic development:

    - Continue and expand on community programs that work with existing industries in order to build a stronger relationship with the local business owners. Over time, most new jobs and other economic benefits come from enterprises that already have some presence in a community rather than capturing new plants from outside (although clearly both are important and are mutually supportive). Expansions, spin-offs, attractions of contractors and vendors, and other development can occur when a community has an effective program to work with existing businesses. Some activities of this type are now being done informally but there is a need for a more regularized program of working with and supporting existing businesses.

    - Enhance regional economic development agencies, which provide additional opportunities through partnership by sharing resources. McAlester is clearly the largest and most sophisticated community in a wide area of Southeast Oklahoma, and is the area most likely to benefit from a general improvement and increase in regional economic development.

    - Develop more organizations which share certain interests and objectives and can serve as a voice for their particular areas of economic activity. Retail associations, for example, can be a forum for retailers to share ideas, network, and take an active role as a group in the McAlester Economic Development Service. Facilities that normally compete can find common ground and provide a roundtable to discuss actions and initiatives that benefit all.

    - Groom potential leaders throughout the community, through leadership programs. McAlester and Pittsburg County have been very successful developing innovative ideas; there is now a need to share those ideas with a broader audience within the community. Local newspaper and radio stations, the Internet, and other media as well as public forums and meetings can be used to educate the local community about economic development, and inform citizens of what is happening in the community. BFPC found much energy and little reluctance among residents of Southeast Oklahoma to

develop and express ideas; this needs to be channeled into effective programs.

- Encourage volunteerism for a city beautification program along with other volunteer programs where local citizens feel empowered by the economic development program.

- Economic diversification is important for sustained growth. A community that relies on one major industry sector will suffer greatly during and after an economic downturn for that particular industry, from direct impacts and ripple effects throughout the entire community. McAlester and Pittsburg County have the opportunity to continue to diversify their economy through developing new activities such as the Tandem Technologies development. In addition, the expansion of the retail market from specialties stores to chain restaurants strengthens the trade area.

- Diversification of other retail opportunities demands retail information. A retail brochure can accommodate this request, and be an easy and effective marketing tool for retail recruitment.

- Marketing and communication are effective vehicles to promote and advertise McAlester through local, regional, state, and global efforts. One inexpensive, but powerful tool is the World Wide Web, which McAlester has taken advantage of, and continues to ensure that accurate data and crispy and user friendly websites are located at the top of the list for search engines such as yahoo.com, google.com, and netscape.com.

- McAlester offers a rich history, abundant natural resources, diverse terrain, a community size and scale that appeals to many, and moderate climate, which can produce a haven for hosting special events. Golfing, track competitions such as triathlons, fishing and other sportsmanship competitions, and others may be promising. Such tourism efforts result in more exposure to the area at a relatively low cost and with little negative potential. The relatively nearby Fayetteville, Arkansas - Springfield, Missouri, area has transitioned itself from a somewhat isolated, fairly unremarkable community to a national center for music and entertainment (Branson), high-end retirement communities, and related activities, which have in turn led to improvement and growth in numerous other economic sectors. It has been one of the nation's fastest-growing regions recently.

- The opportunity to bring home natives of Southeast Oklahoma who have migrated to other areas is a real possibility, and can be a means of providing additional skills, talent, and leadership. Seeking out McAlester natives now living in, say, Dallas or Kansas City, and encouraging their return can work, if based on serious economic prospects.

THREATS

- Existing industries are very important to the community as well as recruiting new industries. A deteriorating relationship between the community and local business can result in a possible closure and relocation of an existing industry. Therefore, open communication between the local community, economic development organization, and the existing industry is vital. This has not happened; but if it did happen, it could seriously harm development and undo much good work.

- Sustainable growth is ideal, and unmanaged growth and planning can lead to future complications and difficulties in transportation, housing, and utilities. Urban planning appears to have been well done in McAlester; for example, the CBD is more vital than in many smaller urban areas. It is essential, however, to monitor growth and direct it to maximize benefits for the community as a whole. Some improvements should be addressed in the near term. Community entrances, downtown development and maintenance, signage, and cleanliness are important factors that can strongly influence the first impressions of a community. In McAlester, some of the downtown signs were difficult to read, and some streets did not even have a street sign. Areas around town and out-skirts of town are littered and not well groomed. Although the effort to add a new access road in to Steven Taylor Industrial Park is a "strength", the construction of the final project may cause potential hazards, due to the proposed route intersecting in the middle of a residential neighborhood.

- Perhaps the most worrisome threat would be the risk that economic development might decline as a priority for the community. McAlester's past achievements are not like those of California (where, according to some critics, the wagon trains rolled as far west as they could before hitting the ocean, so that development occurred without much conscious effort by local leaders). Instead, the community and state have developed largely as the result of will and effort. To use another allegory, the economy of Southeast Oklahoma is not a balloon which will stay in the air on its own, short of a disaster; but is a complicated airplane which needs constant attention to keep flying. Oklahomans of middle age and older have seen the terrible results of instability and failure in the state's economy and understand the importance of staying on track. New, younger leaders need to follow their example.

THE PATH FORWARD

BFPC emphasizes that its overall assessment of economic development conditions and potential in the McAlester area are overwhelmingly positive. Its assets are capable of supporting and sustaining strong and diversified new and expanded development. Its shortcomings can be addressed if the community uses the energy, creativity, and focus of which it appears capable.

The Oklahoma State Seal depicts an Indian and a white frontiersman shaking hands, which epitomizes the cooperation among the people in McAlester and Pittsburg County striving to create, expand, and retain economic development. Such a vision projects the possibilities for economic development to come.

STRATEGIC ANALYSIS OF THE McALESTER ARMY AMMUNITION PLANT

Submitted To

McAlester Economic Development Service, Inc.

by

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EXECUTIVE SUMMARY

McAlester Economic Development Service in cooperation with the Oklahoma Department of Commerce and other allies, has retained Business Facility Planning Consultants, LLC, to conduct certain economic development studies.

The assignment includes several studies, including a broad assessment of the McAlester and Southeast Oklahoma regional economy. However, one of the most critical aspects of the project relates to the McAlester Army Ammunition Plant. It, like all US military facilities, is currently under review for possible closing, downsizing, or other changes under the Base Closure and Realignment Act. The leadership of the community and state is committed to avoiding any such negative impacts. They are definitively on record as supporting creative efforts to maintain and expand the MCAAP.

Any community could simply ask DoD not to change a local base, but McAlester and Oklahoma officials are far ahead of this. They believe that the best way to succeed at this vital objective is by thoughtful and innovative efforts to help the MCAAP do an even better job at its DoD missions. BFPC has much experience helping communities to assist local facilities, especially to make themselves more attractive and appealing as the location for such activities, with benefits resulting for both the area and the facilities. It has been directed by MEDS to use this expertise in an appropriate way to assist the MCAAP.

This initial report sets forth several possible actions:

- improvements in ways that the Plant and community work with each other,
- the potential for new DoD missions and activities at the Plant,
- spin-offs from appropriate functions of the Plant,
- enhancements to Plant operations and DoD missions that the community or state can help develop.

More information about each is provided in the body of this report. BFPC seeks input from parties in McAlester that can provide counsel and guidance about the overall validity of each of these and specific further actions that might be taken.

In addition, BFPC is working to develop a "business case" why the McAlester area is particularly attractive for specific economic activities. While certain principles of the siting discipline are universally relevant, the specific locational requirements of DoD facilities are not the same as those for private industry. BFPC seeks input on how to adjust the business siting model to maximize its benefits for McAlester.

BFPC will meet with McAlester and MCAAP staff in the near future to receive such input and move ahead with the project.

INTRODUCTION

Purpose

The McAlester Army Ammunition Plant has been a major installation of the US Defense Department and a vital component of the economy of McAlester and the Oklahoma, for over six decades. Like all such facilities, the MCAAP is now being critically reviewed in accord with the Defense Base Closure and Realignment Act of 1990. It is expected that in the current round of BRAC assessments, the DoD will close approximately 25% of its ammunitions base capacity. Every facility of this type is being critically evaluated by Army and DoD agencies and faces the possibility of downsizing or closing.

The community and state are eager to maintain the MCAAP safely through this process and are taking a wide range of actions to do so. In part, this is because "the best defense is a good offense;" but McAlester's and Oklahoma's thinking goes well beyond such simplistic and self-serving notions.

McAlester and Oklahoma leadership wisely believes that steps can be taken to improve the Plant in a way which not only supports its continuation and possible expansion, but also truly enhances its ability to serve national defense needs. Such intelligent planning and implementation of thoughtful actions can improve MCAAP's ability to contribute to vital needs of the United States and its military.

McAlester Economic Development Service is the agency charged with preparing and promoting the region for economic development. MEDS, with support from the State of Oklahoma and other organizations, has a lead role in identifying ways of supporting the MCAAP. As part of these efforts, it has retained Business Facility Planning Consultants, LLC, to conduct a series of studies. BFPC has much experience assisting private business and industrial clients with planning facilities including expansion of existing operations and development of new ones. It has been directed to use this approach and expertise in providing its counsel to MEDS.

Studies to be provided in this assignment include a strategic assessment of the local and state economy, a similar strategic assessment of the MCAAP, and recommendations of actions which McAlester and Oklahoma organizations may take. This document is the first Progress Report of BFPC's Phase 2 studies, a Strategic Analysis of the McAlester Army Ammunition Plant.

The objective of this report is to outline potential actions that may possibly be taken by MEDS, the Oklahoma Department of Commerce, MCAAP, and others, in support of the goals described above. BFPC has completed initial studies of McAlester and the MCAAP and has developed some initial concepts and ideas. Thoughts expressed in this report represent initial "brainstorming" rather than definitive recommendations of actions. BFPC requests critical review and

response by the readers of the report, in order to engage all appropriate persons and organizations in the planning process. As consensus is reached on actions that appear desirable, BFPC will move forward with more specific and detailed recommendations.

Overview of the McAlester Army Ammunition Plant

The MCAAP is a major center for production, storage, and other services for conventional (non-nuclear) weapons and ordnance for the US military services. It is located on US Highway 69 south of the City of McAlester in southeast Oklahoma. Originally established in World War II as a US Navy ammunition depot, construction started in August, 1942, and production began 13 months later. During the war, it manufactured 325,000 tons of munitions, primarily ammunition specific to US Navy needs such as 16-inch shells, depth charges, and rockets. It has continued in operation since then, expanding during the Korean and Viet Nam War eras, and shrinking during some other times. It was transferred to the Army in 1977 as part of a Defense Department reorganization and was assigned the responsibility to serve all US military services.

It is a huge operation with nearly 2,500 facilities containing nearly 10 million square feet on 70 square miles of land. In many of its functions, it is the nation's largest. The McAlester Army Ammunition Plant is commanded by a US Army Colonel, and also has a few active duty personnel that represent the interests of other US military services, but the great majority of its 1200+ employees are civilian DoD staff. MCAAP is a government owned, government-operated plant.

MCAAP has four major mission areas or core competencies.

1. The Group Technology Center is its manufacturing component, producing explosive materials, munitions, and related ordnance and other items (such as inert practice bombs) for all US military services as well as some foreign governments and private organizations.

2. The Tier 1 Depot stores and distributes a wide range of military munitions. Among its missions is preparedness to ship out 400 containers per day of explosive ordnance for the first 30 days immediately upon any conflict or other need.

3. The Maintenance/Renovation Facility provides services for bombs, rockets, projectiles, and propelling charges to assure their currency and usability.

4. The Ammunition Demilitarization or "demanufacturing" operation receives old, unserviceable, excess, and obsolete munitions; recovers all components and materials that have any re-use potential; and disposes of materiel which is not effectively reusable in a safe and environmentally appropriate manner.

In addition, MCAAP has as a tenant the Defense Ammunition Center. DAC is a fellow subordinate command to MCAAP—both report to the Joint Munitions Command located at Rock Island Arsenal, Illinois. The DAC has five activities:

1. Its logistics engineering supports all US military ammunition bases in transportation and other services, including "Ammunition Particular Equipment" – machinery and devices that have no use other than in servicing ammunition, thus are not conventional industrial items and require special expertise.

2. It establishes standards and procedures in its Technical Center for Explosive Safety.

3. It provides consultation and similar technical assistance for all global Army ammunition centers.

4. It houses the technology organization for demilitarization, recycling, and disposal of military ammunition.

5. It operates the Ammunition School which trains 23,000 students per year in all US military services and also provides career program services to management personnel in ammunition areas.

The Defense Ammunition Center is a relative newcomer to McAlester, having been transferred here in 1998 when a facility in Savanna, Illinois, was closed in the prior round of BRAC downsizings. Some 229 jobs were relocated to MCAAP.

MCAAP also owns and operates the Red River Munitions Center in the vicinity of Texarkana, Texas, and has relationships with a number of other DoD facilities.

The MCAAP has many rare and desirable attributes for current and possible future DoD missions including a well-established, physically secure environment; extensive specialized in-place infrastructure; and an effective logistical system and supply chain. Indeed, the list of basic functions does not do justice to the diversity of activities conducted or managed by the McAlester Army Ammunition Plant. Fulfilling its basic missions requires many support and ancillary business and industrial-style functions such as sophisticated laboratories and testing capabilities. Its importance is illustrated by the fact that in the 1995 BRAC review, it was expanded. MCAAP received a multi-million dollar "facelift" in the late 1990's by Oklahoma National Guard and Army Reserve engineering units, in which many transportation and storage facilities were improved. In 2001, Guard and Reserve units further upgraded and expanded MCAAP logistical capabilities such as truck loading facilities, generating millions of dollars of improvements.

MCAAP is a "Working Capital Fund" facility (about 25% of DoD supplier facilities are in this category), a condition which is mostly advantageous to efforts to use creative financial techniques and partnerships with other organizations.

POSSIBLE ACTIONS

McAlester and Oklahoma leaders believe that making the MCAAP better helps the nation, as well as the state and region. The current situation is an opportunity to re-examine appropriate aspects of the MCAAP and the McAlester area to identify mutually beneficial new activities.

Broadly stated, these activities may possibly include:

- improvements in ways that the Plant and community work with each other,
- the potential for new DoD missions and activities at the Plant,
- spinoffs from appropriate functions of the Plant,
- enhancements to Plant operations and DoD missions that the community or state can help develop.

BFPC has developed an initial set of possible initiatives. They are described briefly below and discussed in greater detail on the following pages.

- Identification of MCAAP-developed technologies, innovations, and new procedures and services, and "bottle" them. Package them as a consultation or service that could be made to other Federal agencies, private organizations, and others. Sell them for revenue or some other tangible benefit.

- Identification of areas where MCAAP could do its jobs better with appropriate outside assistance, and use that need as a tool to attract appropriate private businesses to the McAlester area.

- Identification of allies that may share an interest in seeing the MCAAP prosper and expand. These may be "upstream" (vendors), "parallel" (fellow DoD or Federal organizations), "downstream" (customers, clients, users of MCAAP products or services).

- Identification of actions which can be unilaterally taken by the community, state, and other non-DoD parties, without any need for direct solicitation or involvement by Federal agencies, that may help MCAAP and enhance its stability and expansion.

- Identification of fundamental locational advantages of the McAlester area and Oklahoma which might benefit any DoD facility needing a new location as a result of having its existing base or host closed or downsized. Many private industrial facilities make their location decisions based heavily on specific economic features—the ability of a given location to provide the lowest reasonable costs for the company's capital and operating expenses and otherwise have positive impacts on the facility's and company's bottom line. BFPC has been counseled that DoD location analysis standards are different from those that typically guide site selection decisions of private businesses. Thus crafting

a business case for such facilities to locate on or near the MCAAP will follow a somewhat different track.

Finally, it is important to document the important achievements which MCAAP has already made in having addressed its fundamental operating objectives. In comparison with other similar federal facilities, MCAAP has some documentable cost savings and other advantages. Some of these have been identified; no doubt there are others. BFPC can assist in putting these achievements into a format appropriate for communication to the right parties.

Identification of MCAAP Technologies and Innovations

In 60 years of operation, the McAlester Army Ammunition Plant has faced many challenges and successfully developed creative ways to address them. These cover a wide spectrum of industrial functions.

On the front end are innovations in supply chain management, inbound logistics, management of relations with vendors, and other actions needed to assure smooth and uninterrupted supply of materials and components.

There are many in-plant improvements that have certainly been developed here. Manufacturing technology, product enhancements, design and applications of machinery and equipment, and other ways of improving production have originated in McAlester.

Probably some of the most compelling advances have been made in getting ammunition to the warfighter. News ways of packaging, kitting, and transporting military products have great importance at a time when global events may require supporting military units quickly and efficiently.

BFPC intends to assist MCAAP in identifying innovations developed here that have possible application and utility in other DoD facilities. The expectation is that they would then be "packaged" as a product, service, or consultation which could be made available to other appropriate users. In some cases, it may be possible to sell these concepts; in other instances, it may be desirable simply to make the available but to assure that MCAAP's contributions are acknowledged in a tangible way.

Outside Assistance to MCAAP

There are probably ways in which MCAAP could do a better job addressing its missions with appropriate professional assistance by outside parties. The Plant already has a number of relationships with private business firms that have a presence in the Plant or vicinity. Such MCAAP needs could possibly be turned into a market opportunity that could result in more people or functions being established in McAlester.

Companies that have some presence here could be queried about ways in which they could increase the local staff, facilities, or activities. In the private sector, it has become common for clients to ask their vendors, suppliers, consultants, and other partners to have a facility or operation nearby. Indeed, the implementation of just-in-time supply procedures often requires that the vendor have a manufacturing facility, distribution center, or professional staff physically very close to the customer's facility. BFPC is experienced working with both client and supplier to assist in establishing such relationships in a way that benefits all

Enhancement of Relationships with Allies

There are many organizations in the US defense establishment that have a vital interest in MCAAP. Its suppliers and vendors desire for the Plant to be a stable and expanding consumer of their products and services. Other plants in the federal munitions and military materiel network have shared interests. Perhaps most importantly, the military units that are customers of MCAAP may have needs and ideas that could be better served by MCAAP, if they are made known.

Thus it may be appropriate to identify and communicate with various military units and other organizations that have these and other types of relationships with MCAAP. BFPC can assist MCAAP staff to identify such organizations, establish some of the needs and rationales which those agencies might have that could be served by more give-and-take, discuss ways to set up communication channels, and turn those ideas into actions. The best way a business can assure its stability and prosperity it to make sure that its customers are happy and dedicated to continuing to buy their products or services. Failure to stay in regular, frank, open contact means that customers figure out other ways of meeting their needs.

Potential Action by State, Community, and Other Outside Parties

Although most decisions about locating federal facilities are made according to strict standards and procedures, and many of those are deliberately established to eliminate any "outside influence," it may be possible for communities creatively to have some input.

Recruitment of private business facilities is a conventional, well-established technique of economic development organizations such as the McAlester Economic Development Service. It may be possible to adjust those techniques to have appropriate impacts on DoD decisionmakers. This would need to be done carefully, as the system is highly resistant to anything that smack of "pork barrel" influence, i.e., a selfishly motivated effort to influence public spending.

When it appeared possible that the Defense Ammunition Center might relocate from Savanna, Illinois, to McAlester, local leaders conducted a number of actions that assisted in making the relocation happen successfully. Many people from McAlester, ranging from the Mayor to ministers, went to Savanna and offered their assistance to potential relocates. This almost certainly led to a higher percentage of transfers taking place than would have otherwise happened. This was not a direct influence on the decision-making process, but the action was no doubt recognized by higher DoD agencies and appreciated for making the transition better and smoother.

MCAAP and DoD cannot solicit any such assistance. It must be provided unilaterally and without any obligation or expected quid-pro-quo by the state, community, or other organization. There are other standards which must be followed as well.

McAlester's Economic Advantages as a Business Location

As another part of its assignment, BFPC has conducted a study of McAlester's competitive assets as a place to live and do business. The findings are very appealing, as noted in the excerpts below from the other report.

The community's generally moderate and stable cost profile allows McAlester to be a competitive economic environment and offers lower capital and operating costs than many locations in the US. Expenses for staffing, construction, industrial land, taxes, and other essentials are demonstrably below national and regional averages for many business and industry sectors.

Wage costs are the largest component of operating many types of businesses. These average costs are lower in Pittsburg County than in Oklahoma and the US for all major economic sectors. The median wage for McAlester employees in all industries is $9.67, which is much lower than Oklahoma City at $11.77, Tulsa at $12.07, and the state average at $11.15.

Several national studies of tax burden per capita rank Oklahoma quite low (usually around 40 among the 50 states) in total state and local tax costs relative to with population. Sales and property taxes for Oklahoma are competitive with neighboring states. The state sales tax is 4.5%, which is lower than bordering state Texas at 6.25%. In addition, Oklahoma' state property taxes are comparatively low relative to fair cash value.

The American Chamber of Commerce Researchers Association cost of living index for McAlester (Fourth Quarter, 2004) is 79.1. This means that the overall composite index is 79.1% of the average of over 300 North American cities that participate in this respected survey, or that the local cost of living is more than 20% below average. This is one of the lowest costs of living of any community of its size and is a very attractive condition.

Similarly, data compiled by the R.S. Means Construction Cost Estimating System indicates that the average cost of constructing an industrial building in McAlester is about 75.7% of the national average.

McAlester's location close to the geographic center of the US can make it a cost-effective location from which to receive inbound shipments and send outbound shipments to locations throughout North America. The large number of long-haul trucks on US Highway 69 (reportedly more than on Interstate 35) illustrates the importance of this sector.

Some of these advantages would not apply to a federal facility. In times when cost control is critical to government agencies, however, there may be merit to discussing unique opportunities for cost saving due to geographic advantages.

BUSINESS FACILITY PLANNING CONSULTANTS, LLC
Post Office Box 920280
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JimBruce@BFPC.biz

September 21, 2004

Mr. James Mills, Executive Director
McAlester Economic Development Service, Inc.
4500 West Highway 270
Post Office Box 3190
McAlester, Oklahoma 74502

Dear Jim:

Business Facility Planning Consultants, LLC, appreciates the opportunity to serve McAlester Economic Development Service. This letter describes a change to BFPC services which was verbally agreed upon by you and others in our conference call on September 16. Please sign two copies of this letter in the space indicated below, keep one copy for your records, and return one copy to me.

In brief, the change is that BFPC's original Phases 4 and 5 services are modified so that this effort is now to be spent in preparing two marketing reports that can be used directly in MEDS' business recruitment work. You have had the opportunity to review an example of this type of study on another economic development client's website and believe that this type of report is useful for MEDS.

Business Facility Planning Consultants will provide MEDS with marketing studies for two business or industry targets. Each report will focus on a particular target and will be in a form suitable for presentation to executives in the selected target business or industry. MEDS and BFPC will work together to determine the specific targets for which the reports will be prepared. It is expected that one will be an industry with a link to the McAlester Army Ammunition Plant and one will be for another business.

Each study will be a concise report in business format and will clearly point out key characteristics of McAlester, with emphasis on its specific assets as a location for the targeted facility. The reports will be promotional and upbeat in overall tone and will make their points in a professional, dignified, businesslike, lucid manner. Each will essentially be the type of report which senior executives are accustomed to receiving from their own staffs. Each report will be 10 to 12 pages in length. The specific format will be designed with input from MEDS' staff; in general, however, it will probably consist of:

- An executive summary, condensing in two or so pages of bulleted paragraphs the key reasons why a firm should locate a facility or activity in McAlester.

- An overview of McAlester, written to provide important basic data and to generate interest by senior business managers, who may perhaps be in New York or Los Angeles and thus not acquainted with the region.

- A discussion of selected contemporary issues which must be addressed by firms in that field of business. Illustrative of items that may be considered are:
  - What are key challenges to companies in this industry?
  - What new technological or business conditions are changing the way that the industry's facilities must be designed and operated?
  - Why should executives in this industry be alert to new ways of doing business?

- A well-crafted explanation of why McAlester makes especially good sense as a location for new or expanded facilities of the specific industry. It will show how a McAlester location can assist companies in that field of business to respond effectively to some of their important challenges.

- A model of selected capital and operating costs, describing key geographically variable economics and illustrating how a McAlester location can save a company money relative to national average or typical conditions.

We anticipate providing you these reports in first draft form within three weeks from the date you authorize us to proceed.

Sincerely,

Jim Bruce

ACCEPTED AND AGREED
McAlester Economic Development Service, Inc.

By: _____
Signature

Title: _____

Date: _____

Benchmark

METAL

FABRICATING

AND

PROCESSING

EXECUTIVE SUMMARY

McAlester, a growing city in Southeast Oklahoma, is an especially attractive location for metal fabricating and processing and for metal component manufacturing.

A study by the site selection firm Business Facility Planning Consultants, LLC, determined that McAlester has several striking advantages for the metals processing industry:

- selected business costs over **24% below typical or national average expenses for metals production facilities**. Projected costs for personnel, land, construction, energy, and certain other expenses to establish and operate a metals products manufacturing plant in McAlester are well below the comparable US national average. More details are provided at the end of this report.

- similarly, very moderate living costs. **McAlester's cost of living index is only 79.1% of the national average**, according to the American Chamber of Commerce Research Association. This was the lowest of 305 North American locations participating in the ACCRA study for Fourth Quarter of 2004. Oklahoma ranks 46th of the 50 states in per capita tax burden, according to the Tax Foundation.

- above average **availability of experienced metalworking personnel**, due to a well-established industrial base, local industrial training facilities, the ability to draw workers from a wide surrounding area, and the local population growth rate.

- **success by existing metals processing facilities in McAlester**, such as Boeing, Choctaw Manufacturing, National Oil Well, and Webcoat.

- **potential local customer base.** Established and incoming industries in and around McAlester and Oklahoma are potential consumers of a variety of metal products. Oklahoma and surrounding states have auto, aerospace, electronics, and other growing manufacturing sectors with a need for metal components. Other regional industrial and consumer markets are also growing. Proximity to customers helps manufacturers with the cost and timing of shipments and also improves opportunities for customizing products and services.

- **excellent transportation.** McAlester is at the intersection of major highways including the Indian Nations Parkway and US 69, which are comparable to Interstate Highways for much of their distance. I-40 is about 35 miles north. A north-south BNSF rail line and an east-west AOK line intersect in McAlester.

- **availability of sites and existing buildings**. Having successfully filled up its original industrial park, the community now offers serviced land and existing buildings at the Steven W. Taylor Industrial Park and other industrial properties. The City's policy is to sell land for one dollar per acre to qualified industrial firms.

- **Oklahoma's strong business climate**. The state has worked hard to establish and maintain a positive environment for business, and has succeeded across a wide range of areas. It was the most recent state to establish a right-to-work law. State leaders have created Economic Development Generating Excellence (EDGE) to advance Oklahoma by support of education, training, advanced technology, and other resources. Oklahoma exempts many industrial products from sales and use taxes (machinery, equipment, energy, most product inventories) and its corporate and property taxes are among the nation's least burdensome.

- an attractive **package of industrial development incentives**. McAlester can be very aggressive in assisting the right kinds of new and expanding business and industry. If a company meets standards (usually measured by job creation or investment), the City may possibly provide cash grants, major reductions in site acquisition costs, reductions in utility costs, financing assistance, build-to-suit agreements, and other inducements. Additional assistance is available at the state level including free training of staff, employment tax credits, accelerated depreciation, and others.

- a **quality of life** that **supports transfer and recruitment of employees** including:

  - A physically attractive natural setting with "sunbelt" climate, a pleasant small urban center, and a manageable, approachable size and scale of local government which allows for leaders to be personally known. Scenic and recreational features are nearby, including parks, golf courses, and other outdoor opportunities.

  - A major regional retail and personal services base including an economically vibrant downtown, suburban-style shopping with a major Wal-Mart Super Center, a highly respected local general hospital, and a creative local higher education facility. The McAlester Campus of Eastern Oklahoma State College provides courses of its own plus those of East Central University, Southeastern Oklahoma State University, and other Oklahoma schools.

  - Proximity to sophisticated urban services. While McAlester itself is basically small-city or "micropolitan" in character, it is less than 90 minutes drive from Tulsa, two hours from Oklahoma City, and three hours from Dallas.

- perhaps most importantly, a **strong commitment across the community to make economic development a high priority** and a will to make new business activity happen. Elected leaders, educators, business people, and the population at large all recognize the need to support the private sector.

More data about McAlester
and its advantages for your company are available from the

McAlester Economic Development Service, Inc.
4500 West Highway 270

INTRODUCTION

The City of McAlester is emerging as an important new business and industrial center for the South Central United States. What was previously a rather rural community is now growing aggressively across a wide range of business, industrial, and technology sectors. Improvements in access (new and upgraded highways and railroads), business climate (Oklahoma is the nation's newest right-to-work state), education (new local college facilities), quality of life (health care, public schools), and other critical features combine with traditional advantages such as low cost and availability of people to create a strikingly new set of opportunities for economic growth.

McAlester and Oklahoma leaders know that business investment must be energetically sought, promoted, and supported. In this area, the lead organization is McAlester Economic Development Service, Inc., sponsored by public and private interests dedicated to advancing the community and its economy. One of MEDS' key initiatives is a program to recruit new business and industrial facilities and activities into McAlester. MEDS has retained a major site selection and location strategy firm, Business Facility Planning Consultants, LLC, to conduct studies and investigations identifying activities that can benefit especially from McAlester's and Oklahoma's assets.

The study concluded that McAlester is an especially appropriate and attractive location for metal processing facilities and metal product manufacturing plants. This report explains why.

OVERVIEW OF McALESTER

Community Description

McAlester is located in Southeast Oklahoma, 90 miles south of Tulsa, 115 miles southeast of Oklahoma City, and 75 miles north of Texas. With surrounding Pittsburg County, the City makes up the McAlester Micropolitan Area and has a population currently estimated in the low 50,000's. The community is a leading economic center, providing health care, business services, retail, and other commercial activity for this quadrant of Oklahoma.

McAlester enjoys a beautiful natural setting. Annual rainfall here averages over 45 inches per year, compared with as little as one-third that amount in western Oklahoma and Texas. Consequently, there are several bodies of water such as Lake Eufala, largest in the state and 15th largest in the US.

The community has a rich history--original Native American residents, new Native Americans who relocated here when Oklahoma was "Indian Territory," the land rush of 1889, and cowboys, ranchers, and other components of the American West. Mining was an important local business in the late 1800's, which attracted a diverse range of immigrants from Europe and the southern and eastern US. Although that activity has declined, many aspects of its legacy continue including some of the best Italian restaurants in the state.

It also enjoys much success as a business location. A thousand new jobs have been generated in recent years, primarily though the efforts of McAlester Economic Development Service. These have been across a wide spectrum including manufacturing, retail, services, and high technology.

McAlester as a Location for Metal Processing and Manufacturing

The US metals fabrication and processing industry has gone through dramatic changes. It has faced challenges: cheaper foreign-made products, substitution of plastics and other materials in some markets, new and expensive environmental regulations. On the other hand, it has benefited from new technologies and new uses that can be served only by metals. Sectors of the US metals processing and manufacturing industry are showing strong signs of growth.

McAlester constitutes a location especially well suited as a location for making a variety of metal products. This is due to a combination of local conditions and a diligent effort by the community to welcome new manufacturers and provide an operating environment that allows them to prosper. Based on its experience assisting the metals processing industry to site its facilities, BFPC has summed up the key locational advantages of McAlester into the following five categories:

1. Favorable Economics. A metals products manufacturing plant locating in McAlester can possibly save over 24% relative to the US average for the industry. This

asset is so compelling that it deserves more detail, which is provided in the following chapter.

2. Availability of People. Metal working and metallurgy are highly specialized technologies requiring unusual skills. There is evidence that McAlester is better prepared than most locations to offer a pool of qualified employees to a new plant manufacturing metal products. The community's population growth, its well-regarded industrial training programs, the established pool of experienced people, and the recent success of metalworking firms in the region suggest better circumstances for new employers than those found in many parts of the US. Much research related to metal technology is conducted at Oklahoma University and Oklahoma State University and graduates of Oklahoma's colleges and universities are excellent prospects to start a career in this industry.

3. Market Opportunities in the Surrounding Region. McAlester is an excellent location from which metal product makers can serve the Southeast, Mid-South, and Southwest regions of the US. These are the fastest-growing parts of the country for both industrial development as well as general economic growth indicated by population, purchasing power, and other market indicators. The automotive industry, for example, is a major and growing customer of metal products, and McAlester is near many of that industry's new facilities. New plants and upgrades to existing automotive plants have recently taken place in Oklahoma, Texas, Arkansas, Louisiana, and other nearby locations.

4. Transportation and other Infrastructure. McAlester is a well-located, well-served, and potentially low-cost location for inbound and outbound shipping. The metals and chemicals which are this industry's chief raw material are not only heavy, bulky, dense, and expensive to ship, but are also delicate and subject to deterioration. McAlester's relative proximity to mills and supply points is an important transportation advantage, reducing cost and time of inbound raw materials shipment.

After the metals have been manufactured into finished goods or included in OEM products, they may be bulky and awkward to ship. The end products also often have extensive packaging, require more shipment protection, and have other features that mandate more elaborate and costly shipping and handling procedures. McAlester, with its central location (close to the center of the US population) and highway and rail transportation alternatives, is well-positioned for economically shipping manufactured metal products. Further, many high-end metal products are highly engineered to meet very specific customer needs, so it is helpful if personnel from producer and customer facilities can easily get together.

Within McAlester are serviced sites, available buildings, and an abundance of the utilities, energy, and industrial support services likely to be needed by most metal products manufacturing plants. Any support need not available in the immediate area can be found in Tulsa or Oklahoma City.

5. Policies, Programs, and Efforts within the Community. The leader-ship of McAlester recognizes the importance of attracting new and expanding business and industry, and is deeply committed to foster its further growth. They have taken a number of aggressive and proactive steps to make metals processors welcome. These include the development of a new industrial park, a thoughtful and aggressive policy of recruiting and supporting industry, and other investments to prepare for new business activities and facilities.

COST SAVING OPPORTUNITIES

McAlester provides metals processors and fabricators with the opportunity for very large reductions in capital and operating costs, compared with national average or typical costs for such facilities. This section illustrates some of that potential. It estimates certain costs for a hypothetical production facility in McAlester and compares them with national average or typical costs for similar plants.

This hypothetical plant consists of a 100,000-square foot building on a site of 15 acres with a staff of 100.

Personnel. The national average hourly wage cost for a typical metals fabricating plant is estimated from various public and private sources to be about $18.50 per hour. This reflects a mix of production, materials handling, quality control, technical, and other staff. It is estimated that a comparable set of employees could be hired in McAlester at an average of $14.00 per hour. This is based on data from public sources and discussions with existing metals and other industrial plants in McAlester.

On this basis, annual direct wage costs for 100 employees in McAlester would be $2,912,000, while the national average would be $3,848,000.

Fringe benefits are estimated to cost an additional 35% in both cases. Thus the total annual "loaded" personnel cost in the hypothetical McAlester plant would be $3,931,200 while in the national average plant, it would be $5,194,800.

On this basis, a **metal products manufacturing plant located in McAlester could save its owner over one and a quarter million dollars per year in personnel costs.**

Building. The basic structure required by metals processors and fabricators would probably have a national average cost of about $52 per square foot to construct. For a building of 100,000 square feet, the total cost would thus be $5,208,000. In McAlester, R.S. Means estimates construction costs to be about 75.6% of the USA average or a little over $39 per square foot, as shown below. This means that **a building constructed in McAlester would probably cost $1.27 million less than the national average**.

Item	National Average Cost	Estimated Cost in McAlester
Site Work	$726,000	$549,000
Plumbing	355,000	268,000
Heating/Vent/Air Cond.	525,000	397,000
Electrical	697,000	527,000
Other	2,905,000	2,196,000
TOTAL	$5,208,000	$3,937,000

Source: R.S. Means. Data are approximate and not guaranteed. See details at http://www.rsmeans.com/calculator/

Land. A recent national average estimate for above-average quality industrial sites was $31,000 per acre. In McAlester, the recent practice has been to provide industrial sites to qualified new facilities at a cost of one dollar per acre. If a 15-acre site is purchased, the national average cost would be $465,000 and the McAlester cost would be $15.

Combined Building and Land Costs. Based on the above assumptions, the national average cost for building and land together would total $5,673,000. In McAlester the comparable cost would be $3,937,015, nearly one and three-quarters million dollars lower.

One way to express this cost in a manner comparable to wages and other ongoing expenses is to spread it across a period of years, in a manner similar to a mortgage. Even if the firm does not literally borrow money from a bank, in effect it pays an opportunity cost for money that could otherwise be invested or used profitably elsewhere.

Based on a 6% interest rate and monthly amortization over 10 years, annual payments for the national-average facility would be $755,787. In McAlester, this cost would be $524,508. **This amounts to an annual saving of $231,279 in facility costs in McAlester compared with the national average.**

Energy Costs. Estimates of electric costs are subject to much variation at this time. Deregulation will allow electric energy suppliers to market themselves outside traditional territories and affect other economics of the industry. Even so, favorable characteristics of this region will assist McAlester-based industrial customers and contribute to continuation of competitive electric energy rates.

The hypothetical metals processing plant in this study is assumed to have a monthly average electricity use of 500,000 kilowatt-hours. The Edison Electric Institute calculates that the national average cost for electric power sold to industrial users by investor-owned utilities is about 5.1 cents per kilowatt-hour. It is thus projected that a nationwide average monthly electric power bill for a plant with these requirements might be $25,500, and the annual bill $306,000.

Electricity to an industrial plant in McAlester would probably be provided by Public Service Company of Oklahoma, a unit of American Electric Power, whose average industrial rate is 4.8 cents per kilowatt-hour. The monthly cost would thus be $24,000 for an annual cost of $288,000. Using these figures, **a metals fabrication plant located in McAlester would save $18,000 per year compared with the national average.**

The natural gas consumed by this plant is assumed to be purchased from a broker or wholesale supplier, rather than directly from the local gas company. The cost of such "transportation gas" is dependent on the spot price of gas at the wellhead rather than local tariffs, and so its variations are mostly not affected by location. However, McAlester's

proximity to large supplies of natural gas in Oklahoma and adjacent states is a tangible advantage for dependability of supply.

Summary of Cost Items. The capital and operating costs associated with a metal products manufacturing plant, as discussed on the previous pages, are summarized below:

Cost Item	National Average or Typical Plant	McAlester Plant
Wages	$3,848,000	$2,912,000
Fringe Benefits	1,346,800	1,019,200
Amortization of Land & Building	755,787	524,508
Electric Power:	306,000	288,000
TOTAL	**$6,256,587**	**$4,743,708**
Index (National Average = 100)	100.0	75.8

Thus the total of these selected costs in McAlester is 24.2% below the national average for a comparable facility.

More data about McAlester
and its advantages for your company are available from the

McAlester Economic Development Service, Inc.
4500 West Highway 270

FOOD

PROCESSING

EXECUTIVE SUMMARY

McAlester, a growing city in Southeast Oklahoma, is an especially attractive location for food processing and for food product manufacturing.

A study by the site selection firm Business Facility Planning Consultants, LLC, determined that McAlester has several striking advantages for the foods processing industry:

- selected business costs over **27% below typical or national average expenses for foods production facilities**. Projected costs for personnel, land, construction, energy, and certain other expenses to establish and operate a foods products manufacturing plant in McAlester are well below the comparable US national average. More details are provided at the end of this report.

- similarly, very moderate living costs. **McAlester's cost of living index is only 79.1% of the national average**, according to the American Chamber of Commerce Research Association. This was the lowest of 305 North American locations participating in the ACCRA study for Fourth Quarter of 2004. Oklahoma ranks 46th of the 50 states in per capita tax burden, according to the Tax Foundation.

- above average **availability of experienced food processing personnel**, due to a well-established industrial base, local industrial training facilities, the ability to draw workers from a wide surrounding area, and the local population growth rate.

- **success by existing manufacturing firms including food processing facilities in McAlester,**

- **a central location to serve the entire US market as well as strong regional markets**. Much US food processing activity is moving away from multiple small local plants to larger, more complex facilities that are more likely to serve a national or even global market. McAlester is close to the US population center and can be a cost-effective location from which to serve the entire nation. It is also within a day's drive of about 60 million regional consumers including major food markets such as Dallas, Houston, Kansas City, Oklahoma City, and Tulsa.

- **excellent transportation.** McAlester is at the intersection of major highways including the Indian Nations Parkway and US 69, which are comparable to Interstate Highways for much of their distance. I-40 is about 35 miles north. A north-south BNSF rail line and an east-west AOK line intersect in McAlester.

- **availability of sites and existing buildings**. Having successfully filled up its original industrial park, the community now offers serviced land and existing buildings at the Steven W. Taylor Industrial Park and other industrial properties. The City's policy is to

sell land for one dollar per acre to qualified industrial firms. Several existing buildings are available including some designed specifically for food processing.

- **Oklahoma's strong business climate**. The state has worked hard to establish and maintain a positive environment for business, and has succeeded across a wide range of areas. It was the most recent state to establish a right-to-work law. State leaders have created Economic Development Generating Excellence (EDGE) to advance Oklahoma by support of education, training, advanced technology, and other resources. Oklahoma exempts many industrial products from sales and use taxes (machinery, equipment, energy, most product inventories) and its corporate and property taxes are among the nation's least burdensome.

- an attractive **package of industrial development incentives**. McAlester can be very aggressive in assisting the right kinds of new and expanding business and industry. If a company meets standards (usually measured by job creation or investment), the City and its development allies may possibly provide cash grants, large reductions in site ac-quisition costs, reductions in utility costs, financing assistance, build-to-suit agreements, and other inducements. Additional assistance is available at the state level including free training of staff, employment tax credits, accelerated depreciation, and others.

- a **quality of life** that **supports transfer and recruitment of employees** including:

  - A physically attractive natural setting with "sunbelt" climate, a pleasant small urban center, and a manageable, approachable size and scale of local government which allows for leaders to be personally known. Scenic and recreational features are nearby, including large lakes, parks, golf courses, and other outdoor opportunities.

  - A major regional retail and personal services base including an economically vibrant downtown, suburban-style shopping with a major Wal-Mart Super Center, a highly respected general hospital, and a creative local higher education facility. Eastern Oklahoma State College's McAlester Campus provides courses of its own plus those of East Central University, Southeastern Oklahoma State University, and other institutions of higher learning.

  - Proximity to sophisticated urban services. While McAlester itself is basically small-city or "micropolitan" in character, it is less than 90 minutes drive from Tulsa, two hours from Oklahoma City, and three hours from Dallas.

- perhaps most importantly, a **strong commitment across the community to make economic development a high priority** and a will to make new business activity happen. Elected leaders, educators, business people, and the population at large all recognize the need to support the private sector.

More data about McAlester
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McAlester Economic Development Service, Inc.
4500 West Highway 270
McAlester, Oklahoma 74501
(918) 423-5735

INTRODUCTION

The City of McAlester is emerging as an important new business and industrial center for the South Central United States. What was previously a rather rural community is now growing aggressively across a wide range of business, industrial, and technology sectors. Improvements in access (new and upgraded highways and railroads), business climate (Oklahoma is the nation's newest right-to-work state), education (new local college facilities), quality of life (health care, public schools), and other critical features combine with traditional advantages such as low cost and availability of people to create a strikingly new set of opportunities for economic growth.

McAlester and Oklahoma leaders know that business investment must be energetically sought, promoted, and supported. In this area, the lead organization is McAlester Economic Development Service, Inc., sponsored by both public and private interests dedicated to advancing the community and its economy. One of MEDS' key initiatives is a program to recruit new business and industrial facilities and activities into McAlester. MEDS has retained a major site selection and location strategy firm, Business Facility Planning Consultants, LLC, to conduct studies and investigations identifying activities that can benefit especially from McAlester's and Oklahoma's assets.

The study concluded that McAlester is an especially appropriate and attractive location for food processing facilities and food product manufacturing plants. This report explains why.

THE CASE FOR McALESTER

Community Description

McAlester is located in Southeast Oklahoma, 90 miles south of Tulsa, 115 miles southeast of Oklahoma City, and 75 miles north of Texas. With surrounding Pittsburg County, the City makes up the McAlester Micropolitan Area and has a population currently estimated in the low 50,000's. The community is a leading economic center, providing health care, business services, retail, and other commercial activity for this quadrant of Oklahoma.

McAlester enjoys a beautiful natural setting. Annual rainfall here averages over 45 inches per year, compared with as little as one-third that amount in western Oklahoma and Texas. Consequently, there are several bodies of water such as Lake Eufala, largest in the state and 15th largest in the US.

The community has a rich history–original Native American residents, new Native Americans who relocated here when Oklahoma was "Indian Territory," the land rush of 1889, and cowboys, ranchers, and other components of the American West. Mining was an important local business in the late 1800's, which attracted a diverse range of immigrants from Europe and the southern and eastern US. Although that activity has declined, many aspects of its legacy continue including some of the best Italian restaurants in the state.

It also enjoys much success as a business location. A thousand new jobs have been generated in recent years, primarily though the efforts of McAlester Economic Development Service. These have been across a wide spectrum including manufacturing, retail, services, and high technology.

McAlester as a Location for Food Processing and Manufacturing

McAlester has characteristics that make it especially noteworthy to companies engaged in food processing and the manufacturing and distribution of food products. This section notes some recent food industry trends and shows how McAlester is especially advantageous for the new generation of food processing plants.

Recent Trends in Food Processing. The US food industry, with about 1.5 million employees, is among the nation's largest production sectors. It is expected to produce around $500 billion of products in 2005 and account for about 10% of the nation's manufacturing value.
It is also undergoing some of the most rapid and far-reaching changes of any US business.

Markets shifts are among the key drivers of these changes--many foods sold now were not available a decade or two ago. The ways these shifts affect production capacity are illustrated by these examples:

- Huge growth has occurred in prepared meals and snack foods that require minimal preparation by the user, reflecting the fast-paced lifestyles and the fact that most US households now have little time for traditional cooking. At the same time, consumers are more nutrition-conscious and seek better quality food products, with lower fat and salt, more wholesome and healthy content, conformity to cultural and ethnic preferences, and with special characteristics such as reduced carbohydrates.

- The rapid growth of the restaurant business has created the need for food items prepared to corporate standards in a central kitchen. These facilities send food items to individual stores, restaurants, and institutions in frozen or other stabilized form for final preparation and serving or sale. The restaurants, schools, hospitals, and other facilities receiving such products can then serve a quality meal without the need for a major kitchen or specialized cooking skills on-site. This approach allows more efficient use of staff time, assures higher and more consistent food quality, allows serving a variety of foods, minimizes waste, and assures adherence to a company's particular style and branding.

- The United States has always been a major exporter of food products. US companies are working hard to move up the value chain from bulk products to higher added-value processed foods so that they and the nation as a whole receive more for exported food products.

- Conversely, low added-value foods are more and more likely to be imported. Facilities in Asia, Latin America, and lower-cost parts of Europe supply an increasing volume of basic food items consumed in the US. There has been a decline in US food plants at the lower end of the value chain.

Another trend providing markets for processed agricultural products their use as an input to new biotechnology production activities including pharmaceuticals, chemicals, fuels, and other applications.

Consequences for Food Processing Plants. As a result of these changes, US food processing facilities are changing. There is a clear trend toward fewer plants, which are larger, more sophisticated, more diverse in output, and serve a wider market. Food is less likely to be processed by a multitude of small regional plants and more likely to be handled via a few large, modern, facilities that are well-located to serve a large geographic area.

Not surprisingly, given the trends discussed on the previous page, the number of US food processing plants and employees is declining. However, Oklahoma's position central to North American markets, along with its cost-effective business climate and other assets, have made it one of the states where food processing activity is increasing. According to the most recent US Commerce Department County Business Patterns data, Oklahoma's food processing employment grew at an annual rate of over 4.3% at a time when national food jobs declined 1.8% and some traditional food processing states had much bigger losses. This finding suggests that Oklahoma has proven an especially attractive environment for the industry and is just the sort of place companies are seeking as they develop new, modern plants.

Compelling Reasons to Consider McAlester

McAlester is particularly well suited as a location for food processing plants. This is due to a combination of favorable local and regional conditions and a diligent effort by the community to welcome new manufacturers and provide an operating environment that allows them to prosper. Based on its experience assisting the foods processing industry to site its facilities, BFPC has summed up the key locational advantages of McAlester into the following four categories:

1. Favorable Economics. A foods products manufacturing plant locating in McAlester can possibly save over 27% relative to the US average for the industry. Savings are possible for staffing, inbound and outbound transportation, utilities/energy, construction, taxes, and other costs of doing business. The cost of living is among the lowest of some 400 locations in North America, according to the American Chamber of Commerce Researchers Association.

This cost asset is so compelling that it deserves more detail, which is provided in the following chapter.

2. Availability of People. There is evidence that McAlester is better prepared than most locations to offer a pool of qualified employees to a new food processing plant. The community's population growth, its well-regarded state industrial training programs, the established pool of experienced people, and the recent success of new manufacturing firms in the region suggest better circumstances for new employers than those found in many parts of the US. Much research related to food technology is conducted at Oklahoma University and Oklahoma State University and graduates of Oklahoma's colleges and universities are excellent prospects to start a career in this industry.

3. National and Regional Market Opportunities. McAlester is well located with regard to incoming raw material supplies. The agricultural products which are this industry's chief inputs are often heavy, bulky, dense, and expensive to ship and may also be subject to deterioration. McAlester is close to the sources of many such raw materials including wheat and wheat-based flours and other products; beef, other meats, eggs, and other proteins; spices and flavorings; and other key inputs for foods. This assists food processors to obtain fresh materials with minimum shipping costs.

Equally important are outbound shipping costs and timing. Finished food goods can also be expensive to ship, since they may be in special packaging, require special handling, and represent an increasingly valuable item with a short shelf life. Thus McAlester's location central to the US market is attractive.

It is also an excellent location from which food product makers can serve the Southeast, Mid-South, and Southwest regions of the US. These are the fastest-growing parts of the country for both industrial development as well as general economic growth indicated by population, purchasing power, and other market indicators. Major metropolitan areas within a day's drive include Dallas, Houston, Kansas City, Memphis, Oklahoma City, Saint Louis, and Tulsa.

4. Policies, Programs, Preparation, and Efforts by McAlester. The leadership of McAlester recognizes the importance of attracting new and expanding business and industry, and is deeply committed to foster its further growth. They have taken a number of aggressive and proactive steps to make foods processors welcome. These include the development of a new industrial park, a thoughtful and aggressive policy of recruiting and supporting industry, and other investments to prepare for new business activities and facilities. Within McAlester are serviced sites, available buildings, and an abundance of the utilities, energy, and industrial support services likely to be needed by most food products plants. Any support need not available in the immediate area can be found in Tulsa or Oklahoma City.

COST SAVING OPPORTUNITIES

McAlester provides foods processors with the opportunity for very large reductions in capital and operating costs, compared with national average or typical costs for such facilities. This section illustrates some of that potential. It estimates certain costs for a hypothetical production facility in McAlester and compares them with national average or typical costs for similar plants.

This hypothetical plant consists of a 150,000-square foot building on a site of 15 acres with a staff of 100.

Personnel. The national average hourly wage cost for a typical foods fabricating plant is estimated from various public and private sources to be about $15.00 per hour. This rate reflects a mix of production, materials handling, quality control, technical, and other staff. It is estimated that a comparable set of employees could be hired in McAlester at an average of $10.50 per hour. This is based on data from public sources and discussions with plants already in business in McAlester.

On this basis, the annual direct wage costs for 100 employees in McAlester would be $2,184,000, while the national average cost would be $3,120,000.

Fringe benefits are estimated to cost an additional 35% in both cases. Thus the total annual "loaded" personnel cost in the hypothetical McAlester plant would be $2,948,400, while in the national average plant, it would be $4,212,800.

Therefore, a **food products manufacturing plant located in McAlester could save its owner over 1.1 million dollars per year in personnel costs.**

Building. The basic structure required by foods processors would probably have a national average cost of about $52 per square foot to construct. For a building of 150,000 square feet, the total cost would thus be $11,250,000. In McAlester, R.S. Means estimates construction costs to be about 75.6% of the USA average or a little over $39 per square foot, as shown below. This means that **a building constructed in McAlester would probably cost $1.27 million less than the national average**.

Item	National Average Cost	Estimated Cost in McAlester
Site Work	$726,000	$549,000
Plumbing	355,000	268,000
Heating/Vent/Air Cond.	525,000	397,000
Electrical	697,000	527,000
Other	2,905,000	2,196,000
TOTAL	$5,208,000	$3,937,000

Source: R.S. Means. Data are approximate and not guaranteed. See details at http://www.rsmeans.com/calculator/

Land. A recent national average estimate for above-average quality industrial sites was $31,000 per acre. In McAlester, the recent practice has been to provide industrial sites to qualified new facilities at a cost of one dollar per acre. If a 15-acre site is purchased, the national average cost would be $465,000 and the McAlester cost would be $15.

Combined Building and Land Costs. Based on the above assumptions, the national average cost for building and land would total $5,673,000. In McAlester the comparable cost would be $3,937,015, nearly one and three-quarters million dollars lower.

One way to express this cost in a manner comparable to wages and other ongoing expenses is to spread it across a period of years, in a manner similar to a mortgage. Even if the firm does not literally borrow money from a bank, in effect it pays an opportunity cost for money that could otherwise be invested or used profitably elsewhere. Based on a 6% interest rate and monthly amortization over 10 years, annual payments for the national-average facility would be $755,787. In McAlester, this cost would be $524,508. **This amounts to an annual saving of $231,279 in facility costs in McAlester compared with the national average.**

Energy Costs. Estimates of electric costs are subject to much variation at this time. Deregulation will allow electric energy suppliers to market themselves outside traditional territories and affect other economics of the industry. Even so, favorable characteristics of this region will assist McAlester-based industrial customers and contribute to continuation of competitive electric energy rates.

The hypothetical foods processing plant in this study is assumed to have a monthly average electricity use of 1,000,000 kilowatt-hours. This includes energy used for various mixing and cooking processes, refrigeration, materials handling, and packaging.

The Edison Electric Institute calculates that the national average cost for electric power sold to industrial users by investor-owned utilities is about 5.1 cents per kilowatt-hour. It is thus projected that a nationwide average monthly electric power bill for a plant with these requirements might be $51,000, and the annual bill $612,000.

Electricity to an industrial plant in McAlester would probably be provided by Public Service Company of Oklahoma, a unit of American Electric Power, whose average industrial rate is 4.8 cents per kilowatt-hour. The monthly cost would thus be $48,000 for an annual cost of $576,000. Using these figures, **a food processing plant located in McAlester would save $36,000 per year compared with the national average.**

The natural gas consumed by this plant is assumed to be purchased from a broker or wholesale supplier, rather than directly from the local gas company. The cost of such "transportation gas" is dependent on the spot price of gas at the wellhead rather than local tariffs, and so its variations are mostly not affected by location. However, McAlester's

proximity to large supplies of natural gas in Oklahoma and adjacent states is a tangible advantage for dependability of supply.

Summary of Cost Items. The capital and operating costs associated with a food products manufacturing plant, as discussed on the previous pages, are summarized below:

Cost Item	National Average or Typical Plant	McAlester Plant
Wages	$3,120,000	$2,184,000
Fringe Benefits	1,092,000	764,400
Amortization of Land & Building	755,787	524,508
Electric Power:	612,000	576,000
TOTAL	**$5,579,787**	**$4,045,908**
Index (National Average = 100)	100.0	72.5

Thus the total of these selected costs in McAlester is 27.5% below the national average for a comparable facility.

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