INCONTEXT

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IN the Spotlight:

Economic Development Lessons Learned

While the economy again struggles to regain its footing, it seems reasonable to pause and ask ourselves what's changed since the 1980s. What have we learned about developing our community economies? What can we control? What can we or should we be doing to help assure our future economic viability?

Economic development is complex, and there are no quick, easy solutions to the issues facing us at the moment. However, we have learned a great deal from the work of Indiana communities and our colleagues in the economic development profession. Perhaps past lessons can bring some perspective to the present economic situation.

Tapping the Best Leaders

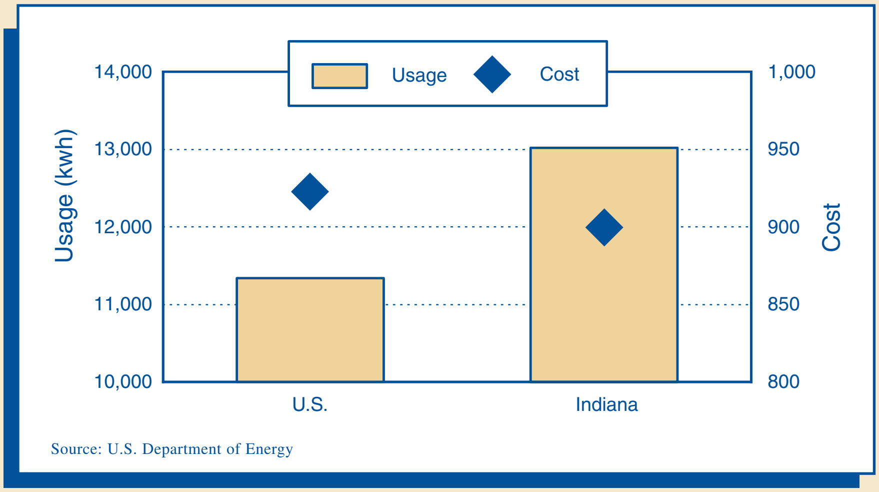
Every successful community can point to the individual or individuals who are primarily responsible for its success. Conversely, struggling communities invariably point to lack of leadership as the main reason they cannot move ahead. True community leaders view a community as a whole, clearly see the interconnectedness of every component, and understand that economic development is not an activity isolated from the development of the entire community.

Creating Comprehensive Plans

Every community should develop — with citizen input — a comprehensive

(continued on page 2)

Indiana households use more electricity, at lower costs, than the national average. See page 8 for details.



Source: U.S. Department of Energy

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Indiana Unemployment Rate for August 2001: 4.0%

IN the Spotlight

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plan addressing land use (not just zoning), infrastructure, capital improvements, and community economic development. Such plans provide the framework for making development decisions. Planning helps avoid the wasted time and resources associated with ad hoc development decisions and can help mitigate the adverse impact of sprawl on Indiana's downtowns.

The Center for Economic and Community Development was created by the state legislature as the Indiana Economic Development Academy in 1984. The 1980s were difficult economic times, and our charge was to provide economic development education and assist communities in the organization of a proactive development effort. In the ensuing years, more than 1,200 practitioners completed our Indiana Economic Development Course, and the center worked with more than 35 communities to develop community economic development strategic plans.

Retaining Existing Businesses

The majority of new jobs are created by existing businesses. Unfortunately, few communities have an organized program for retaining and expanding existing businesses. Many existing businesses with growth potential are unaware of the many local and state resources available to assist them. These businesses have changing needs, and the community must be in a position to meet them. Those needs may include more skilled workers, more advanced telecommunications, access to an airport, or better lifestyle opportunities. These attributes are developed over time, and only constant contact with local companies can keep a community fully informed of their growing needs.

Accepting Change

It's natural for some existing businesses to close or leave; these changes occur for a variety of reasons, often outside a community's control. Businesses compete in a global environment, are influenced by external economic pressures, and are subject to normal business cycles. There is little a community or economic developer can do to combat, for example, business consolidations, the movement of companies offshore, or business failures due to changing consumer preferences. The commitment of additional financial or other incentives only prolongs the inevitable.

Welcoming Start-Ups

Business creation is a high-risk arena, but new small businesses are a significant source of new jobs. Every business must start somewhere, and the more conducive the environment to business start-ups, the more likely they are to occur. Access to capital, expertise, facilities and mentorship are among the most essential things a community can offer.

Seeing the Big Picture

Economic development happens at the local level, but there are no local economies. Economies are regional, and the most valuable information a community can have is a true and accurate picture of its regional economy. Along with pertinent demographic information, a regional analysis should identify existing industry groups and indicate whether those groups are stable, growing or declining. By further identifying buyers, suppliers and other related businesses, a community can invest its time and money supporting and attracting the types of businesses that clearly fit into the regional economy and, as such, are far more likely to stay or move there.

Forming Partnerships

Given that economies are regional, it makes sense to coordinate economic development within regions. This often means local organizations partnering with each other and with regional entities, such as the state's Workforce Investment Boards. For example, in some regions in Indiana, local economic development organizations have formed regional groups to conduct economic development marketing.

Unlike the environment of the 1980s, each region of the state is now served by numerous organizations whose mission includes some aspect of community and economic development. Yet, in many areas there is still a traditional unwillingness to partner, and there are many very small and under-funded local organizations who individually can have little effect. It is probably unrealistic to assume that local organizations will disappear, but coordinating their efforts is essential if real progress is to be made. To maximize scarce resources is to maximize their impact. It is especially important for the poorer areas of the state to put aside differences and form partnerships to address issues from a regional or multi-county perspective: planning, economic development marketing, economic development strategy, telecommunications infrastructure development and transportation development, to name a few.

Enhancing Quality of Life

Economic development is not just about creating jobs! It's about building communities — physically, economically, socially and culturally. Aside from their specific business-related needs, companies want in their communities what citizens want in their communities. Companies have many choices about where to locate a new operation. Overall quality of life and lifestyle are far more important to them now than at any time in the past and are often far more important than any economic incentive a community may offer. Research tells us that the high-tech and the highly educated workforce have a strong preference for communities that are broadly diverse and offer a wide variety of recreational and cultural opportunities. Lifestyle is important to today's workforce, and, consequently, it is important to their employers.

A good economic development program is based on good research, a clear understanding of the regional economy, and solid strategic planning. It focuses on the development of local business; utilizes realistic, targeted marketing; and promotes the wise and strategic use of economic development incentives.

That said, the best economic development efforts cannot overcome significant community shortcomings. The development of the total community should be the single most important focus of community leaders who want to affect their long-term economic viability.

— Elaine M. Fisher
Director, Center for Economic & Community Development
School of Continuing Education & Public Service, Ball State University

Energy Savings from Waste Reduction and Recycling

Waste reduction and recycling reduce energy consumption. Here are some examples:

- All new steel contains recycled steel. The basic oxygen furnace uses a minimum of 25% steel scrap to make new steel, while Electric Arc Furnace mills use essentially 100% scrap. Every ton of steel recycled saves 2,500 pounds of iron ore, 1,400 pounds of coal and 120 pounds of limestone. Through this recycling effort, the steel industry saves the equivalent energy used to power about 18 million households for a year *(Source: Steel Recycling Institute, 2001).*
- Aluminum beverage cans have an average of 55% recycled content. Aluminum recycling is a closed-loop process, saving 95% of the energy needed to produce aluminum from ore. From recycling through reclamation and production, it can take as few as 60 days for an aluminum beverage can to be back in a store for consumer purchase *(Source: The Aluminum Association, Inc., 2001).*
- One ton of paper made with 100% recycled paper saves the equivalent of 4,100 kilowatt hours of energy, 7,000 gallons of water, 60 pounds of air emissions and 3 cubic yards of landfill space *(Source: American Forest and Paper Association, 2001).* Recycling newsprint results in an almost 40% reduction in total energy demand compared with virgin fiber use *(Source: National Resource Defense Council, 2000).*
- Nearly 25% of the glass used to make bottles and jars has been used before, recycled and remanufactured. Every ton of recycled glass used to make new jars saves the equivalent of 10 gallons of fuel oil *(Source: Glass Packaging Institute, 2000).*
- Recycling three different grades of plastic shows a net energy reduction in the range of 70 to 80% compared with manufacturing similar products from virgin oil. Recycling a ton of plastics saves the equivalent of 10.2 to 11 barrels of oil, depending on the grade of plastic being recycled *(Source: National Resource Defense Council, 2000).*
- See the next issue of *IN Context* for more information on the economic impact of recycling and reuse in Indiana.

The European Connection

I spent three weeks this May with my colleague Charles Bonser and 20 IU graduate students (from the School of Public & Environmental Affairs, the Law School and the Kelley School of Business) learning about the European Union (E.U.) in Paris, Brussels and Germany.

Over the past several years, the tense trade relations between the United States and the European Union have been a hot topic. To read the newspapers, it seems that we share little in common and stand on the verge of trade and regulation war. They give money to Airbus; we subsidize Boeing too much. They keep our bananas from reaching their stores; we ban their meat. They don't like the way we use microbiology in agriculture; we don't like the way they subsidize their farmers. They think our foreign sales corporations are illegal; we don't like the export subsidies they give to companies seeking new locations in Europe. They ban the union of GE and Honeywell after we similarly halted Deutsche Telekom's acquisition of VoiceStream.

While we can enumerate many areas of disagreement, we shouldn't exaggerate their importance for the ongoing business of trade. After all, we have contentious issues with most of our major trading partners: Japan (autos), China (human rights), Canada (lumber, beer), and Mexico (immigration, environment), for example. The truth is that strategic trading partners are also often engaged in fierce competition – if not for goods, then for entertainment, culture, workers or capital. Most of us do not understand the complexity of these issues nor the strategies for resolution. At times, the appropriate approach may be toughness and show of strength. Other times call for cooler heads and compromise.

Both sides have much to risk in the U.S./E.U. relationship. We depend heavily on each other for goods, services, real capital, finance and defense. Hoosiers should bet on more cooperation and more competition as we move ahead into the future. Our relationship with the European Union won't always be nice and cordial, nor smooth and linear, but it should move in the general direction of more integration.

The European Union is an important destination for Indiana exports. Hoosiers count on E.U. countries buying their products. Slow growth in Europe and a depreciating euro have not helped Indiana exports during the last two years. Nevertheless, Indiana exports to the 15 E.U. nations have increased (though not equally with all goods and all countries). What follows is a summary of the E.U./Indiana export connection.

Indiana exported $2.99 billion in goods and services to the 15 E.U. nations in 2000. That amounted to 19.4% of all Indiana exports to the world that year. Canada and Mexico

The European Union

together accounted for about three times that much, leaving only another 21% for the rest of the world. Thus, after Canada and Mexico, the E.U. countries are the next most important destinations for Hoosier products. The United States exported $164.8 billion to the E.U. countries in 2000 – about 21% of its exports to the world. Indiana's $2.99 billion equaled about 1.8% of the nation's exports to the European Union.

Minnesota leads the Midwest in its dependence on the European Union for export sales; 30% of Minnesota's exports go to the E.U. countries. Kentucky sends 28% of its goods to the European Union. Ohio and Michigan have the least reliance on the E.U., 17% and 14% respectively. Indiana, Illinois, Wisconsin and Tennessee devote from 19% to 21% of their exports to Europe.

As Table 1 shows, the United Kingdom is the largest purchaser of Indiana exports, followed by the Netherlands, France and Germany. Comparing Indiana exports over the two-year period from 1998 to 2000 shows that the Netherlands is the fastest-growing E.U. destination, with exports more than doubling over that time period. In fact, the Netherlands and France are the only two E.U. countries with significant increases in purchases of Indiana goods. Indiana has seen significant declines in sales to Belgium, Ireland and Austria. The downward pull exerted by these destinations is important: While Indiana exports to the world increased by 25% over the past two years, exports to the European Union rose by only 8%.

What does Indiana sell to the E.U. countries? Mostly machinery.

Table 1: Indiana Exports, in Millions of Dollars

Destination	1998	2000	Percent Change
United Kingdom	$852	$840	-1.41%
Netherlands	271	558	105.90%
France	346	512	47.98%
Germany	428	425	-0.70%
Italy	161	165	2.48%
Belgium	198	129	-34.85%
Ireland	148	98	-33.78%
Spain	69	68	-1.45%
Sweden	83	64	-22.89%
Austria	104	49	-52.88%
Denmark	38	29	-23.68%
Greece	30	20	-33.33%
Portugal	17	15	-11.76%
Finland	14	10	-28.57%
Luxembourg	4	2	-50.00%
Total	$2,763	$2,984	8.00%

Source: U.S. Census Bureau

Combining machinery and electrical machinery, the European Union purchased $903 million in 2000. That was up from $669 million in 1998, amounting to a 35% increase over those two years. The main machinery items sold were gas turbines (mostly sold to the United Kingdom, France, Switzerland, Italy and Portugal), parts for machine engines (United Kingdom and Germany), and insulated wire and cable (the Netherlands). Organic chemicals and pharmaceuticals were the next-largest exports to the European Union, together accounting for $673 million and an increase of $145 million between 1998 and 2000. Steroid hormones, glycosides, antibiotics and other medications dominated the sales, mostly to France and Germany.

Machinery, chemicals and pharmaceuticals exported to the richest places in Europe explain the Hoosier connection to the European Union. As the euro increases in value; as the E.U. economy gathers strength; and as the European Union itself becomes a more open, integrated and dynamic marketplace; Hoosiers should find new and better opportunities for doing business. Tiffs among Europeans and with the U.S. government will continue as they always have, but the probabilities suggest that the European Union is not a location to be avoided or ignored.

— Larry S. Davidson
Professor of Business Economics & Public Policy
Indiana University Kelley School of Business

Region 2: North Central Indiana

The Area

Region 2 is comprised of four counties in north central Indiana: **St. Joseph**, **Elkhart**, **Marshall**, and **Kosciusko**. This region is included in the area often designated as the "Michiana Area" because its economic and other associations spill over into Michigan.

Population

Region 2's total 2000 population was 601,160. Population in the region grew by 11% from 1990 to 2000, slightly exceeding the overall Indiana growth rate of 9.7%. Elkhart ranked sixth among Indiana's 92 counties in numerical change during that decade; it gained 26,593 residents. Its 17% growth rate over the ten-year period made up almost half of Region 2's increase of 59,339 people. One of the reasons for this gain may be the number of jobs created by Elkhart's large manufacturing base.

Industrial Mix, Jobs and Wages

Region 2 is dominated by its two largest counties, St. Joseph and Elkhart, each of which is its own Metropolitan Statistical Area (MSA). St. Joseph is in the South Bend/Mishawaka MSA, and Elkhart is in the Elkhart/Goshen MSA.

St. Joseph County is the fourth-largest county in the state and is home to the University of Notre Dame, AM General Corp. (manufacturer of the Humvee military vehicle), and Indiana's second busiest airport. It has a long history of automotive-related industries including the Studebaker Corp., which closed in 1963.

Elkhart County is the center of the nation's manufactured housing and recreational vehicle industry and builds about half of the RVs produced in the United States. It has more than 881 diverse manufacturing establishments, including producers of electronic components and musical instruments. Its farms are notable for making the county the largest producer of dairy products in Indiana, with milk production at more than 279 million pounds per year.

An important development for the economy of St. Joseph County and the region is the current construction in Mishawaka of a $200 million production facility for a new lighter weight, civilian version of the Humvee military vehicle. The new Hummer H2 SUV is a joint project of AM General Corp. and General Motors. This sport utility vehicle is expected to be in production by late 2002. Up to 1,500 employees are expected to work at the new plant when production reaches its peak of 40,000 vehicles per year. Business activity resulting from direct

Workforce Planning Region 2: Elkhart, Kosciusko, Marshall and St. Joseph counties

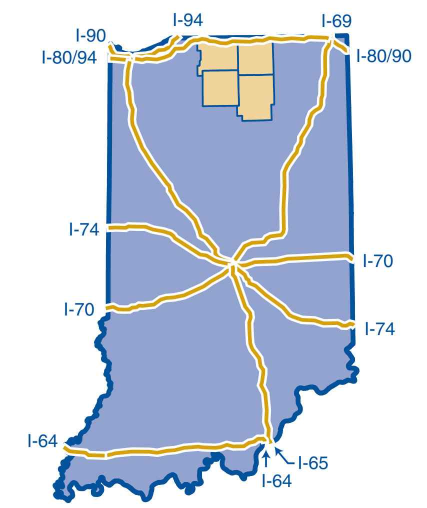


Table 1: Indiana and Region 2: Employment and Wages

	Employment	Percent	Avg. Wages
INDIANA			
Industry Employment	*2,936,343*	*100.0%*	*$31,018*
Manufacturing	685,522	23.3%	$42,425
Services	692,206	23.6%	$26,825
Retail Trade	561,455	19.1%	$15,794
All Government	383,872	13.1%	$30,988
Wholesale Trade	147,142	5.0%	$39,710
Mining/Construction	157,448	5.4%	$35,544
Finance, Insur., Real Estate*	138,093	4.7%	$39,239
Transp.,Commun., Ut.**	142,086	4.8%	$36,594
Agriculture Related	27,624	0.9%	$20,988
REGION 2			
Industry Employment	*306,420*	*100.0%*	*$29,905*
Manufacturing	110,062	35.9%	$36,048
Services	67,924	22.2%	$27,283
Retail Trade	50,233	16.4%	$15,174
All Government	25,792	8.4%	$29,496
Wholesale Trade	16,494	5.4%	$36,479
Mining/Construction	14,139	4.6%	$35,080
Finance, Insur., Real Estate*	10,560	3.4%	$33,703
Transp.,Commun.,Ut.**	8,636	2.8%	$36,335
Agriculture Related	2,547	0.8%	$20,362

Source: Indiana Department of Workforce Development
Note: County all-employment totals above may include employment data for unlisted nonclassifiable employers.
* Finance, Insurance and Real Estate ** Transportation, Communications and Public Utilities

and indirect support of the new plant should increase other employment as well.

Though the two largest counties of Region 2 border each other, they have significantly different economic characteristics. St. Joseph County relies more heavily on the services and retail industries than does Elkhart County. Table 1 shows major industries for the year 2000 sorted by employment size. The services industry was the largest for St. Joseph at 31.7%; retail trade was next at 19.8%, and manufacturing was third at 16.7%. In contrast, 52% of employment in Elkhart County was in manufacturing. The service industry employed 14.6%, and retail 13.1%.

Like Elkhart, Marshall and Kosciusko counties rely heavily on manufacturing employment. Marshall County had 42.0% of its total employment in manufacturing and Kosciusko County 47.6%. Manufacturing accounted for 36% of Region 2's total industry employment in 2000. In contrast, Indiana as a whole had 23.3% of its workers employed in manufacturing last year.

Manufacturing companies, generally thought to provide good pay and employee benefits, may have played a role in population growth in the region from 1990 to 2000. Table 2 illustrates the wage advantage of manufacturing. Manufacturing's average annual wage in 2000 was $36,048, well above the region's total industry average of $29,905 and Indiana's total industry average of $31,018. It also had the distinction of having the largest number of jobs (over 110,000) and a wide diversity of occupations and skill levels. Its compensation was much more suited to supporting a family than the next two largest employing industries, services and retail, which together made up 39% of the employment of the region. Still, Region 2's average manufacturing wage was well below the state's manufacturing average of $42,425. Lower employment costs may be the reason for the heavy concentration of manufacturers in the area.

Table 2: Region 2 by County: Employment and Wages

ELKHART COUNTY	**Employment**	**Percent**	**Avg. Wages**
Industry Employment	122,480	100.0%	$30,354
Manufacturing	63,637	52.0%	$34,745
Services	17,935	14.6%	$25,045
Retail Trade	16,086	13.1%	$15,429
All Government	7,288	6.0%	$30,614
Wholesale Trade	6,422	5.2%	$34,503
Mining/Construction	4,969	4.1%	$35,550
Finance, Insur., R.E.*	2,684	2.2%	$31,198
Transp.,Commun.,Ut.**	2,696	2.2%	$33,177
Agriculture Related	745	0.6%	$19,591
KOSCIUSKO COUNTY			
Industry Employment	34,072	100.0%	$31,535
Manufacturing	16,210	47.6%	$40,576
Services	5,460	16.0%	$22,289
Retail Trade	5,403	15.9%	$14,470
All Government	2,894	8.5%	$27,220
Wholesale Trade	845	2.5%	$48,892
Mining/Construction	1,258	3.7%	$29,395
Finance, Insur., R.E.*	870	2.6%	$30,148
Transp.,Commun.,Ut.**	553	1.6%	$35,587
Agriculture Related	578	1.7%	$24,036
MARSHALL COUNTY			
Industry Employment	20,290	100.0%	$26,133
Manufacturing	8,522	42.0%	$31,194
Services	3,439	16.9%	$21,983
Retail Trade	3,134	15.4%	$13,408
All Government	2,236	11.0%	$26,506
Wholesale Trade	624	3.1%	$28,716
Mining/Construction	613	3.0%	$26,009
Finance, Insur., R.E.*	576	2.8%	$35,993
Transp.,Commun.,Ut.**	717	3.5%	$36,445
Agriculture Related	428	2.1%	$15,772
ST. JOSEPH COUNTY			
Industry Employment	129,578	100.0%	$29,652
Manufacturing	21,693	16.7%	$38,375
Services	41,090	31.7%	$29,408
Retail Trade	25,610	19.8%	$15,376
All Government	13,374	10.3%	$29,880
Wholesale Trade	8,603	6.6%	$37,299
Mining/Construction	7,299	5.6%	$36,500
Finance, Insur., R.E.*	6,430	5.0%	$35,024
Transp.,Commun.,Ut.**	4,670	3.6%	$38,232
Agriculture Related	796	0.6%	$20,882

Source: Indiana Department of Workforce Development
Note: County all-employment totals above may include employment data for unlisted nonclassifiable employers.
* Finance, Insurance and Real Estate ** Transportation, Communications and Public Utilities

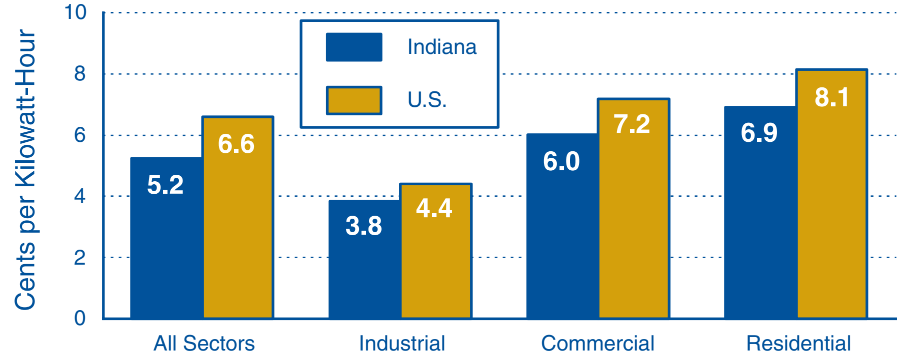
Indiana's Electric Advantage

Hoosier businesses and households enjoy lower average electricity rates than do most firms and families across the nation. Comparative data from the U.S. Department of Energy indicate that in 1999, the average cost per kilowatt-hour (kwh) in Indiana was 5.2 cents, which is 21% lower than the national average of 6.6 cents (see Figure 1).

Indiana ranks eighth in the nation for lowest electricity cost per kwh. The leaders in that ranking, Idaho and Washington, enjoy the benefits of hydroelectric power production.

Figure 1: Revenue per Kilowatt-Hour, by Sector, 1999

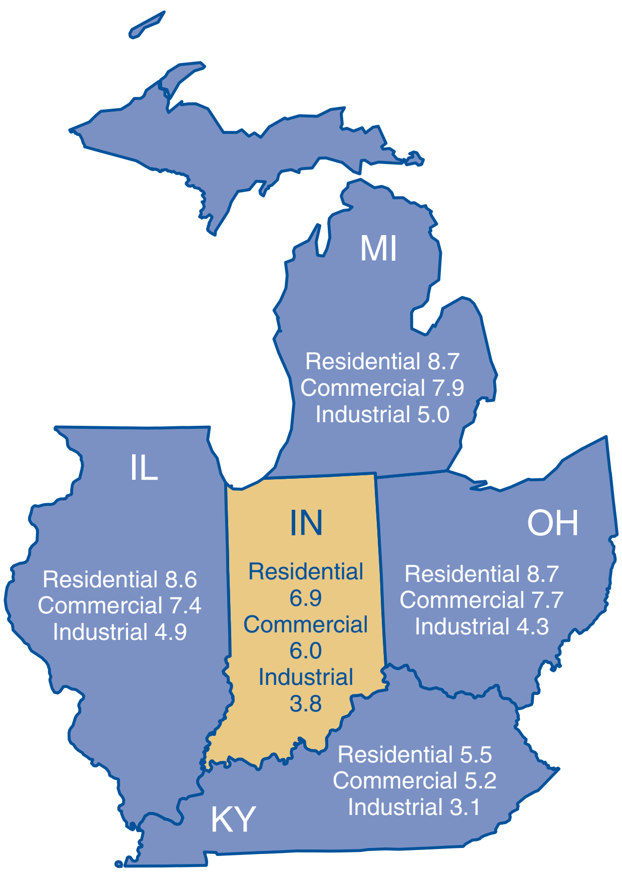
Indiana customers in all sectors pay less for electricity



Source: U.S. Department of Energy

Figure 2: Average 1999 Electricity Price, by Sector

Coal generation means low electricity prices for Kentucky and Indiana



Source: U.S. Department of Energy

Indiana ranks eighth in the nation for lowest electricity cost per kwh. The leaders in that ranking, Idaho and Washington, enjoy the benefits of hydroelectric power production.

The data indicate that each of the three sectors for which records are published enjoy the advantage of lower electricity rates. Industrial, commercial and residential users in Indiana all pay lower average amounts per kwh than their national counterparts.

Regionally, Indiana ranks second among its neighbors in electricity prices (see Figure 2). Indiana and Kentucky, the leader in the region, both have substantially lower rates because they use coal almost exclusively for the generation of electricity.

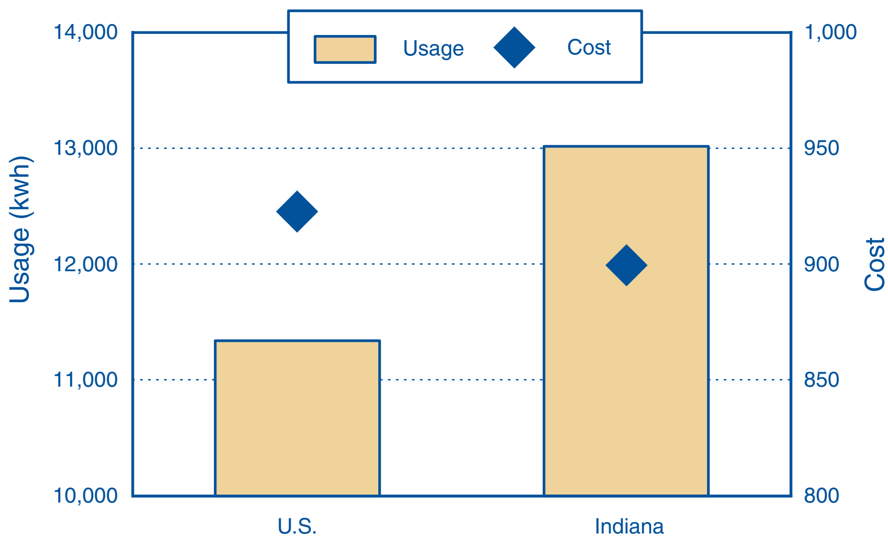
Residential electricity sales per household in Indiana averaged 13,018 kwh in 1999, which was the 20th highest usage level in the nation. Annual cost per household in Indiana was $900, which ranked 26th. At 16,790 kwh, Tennessee led the nation in usage, while South Carolina, at $1,229 per household, had the highest annual cost of electricity. Indiana is compared with the nation in Figure 3. While the Hoosier state's residents have higher usage rates, their annual bills are lower than those in the nation as a whole because of lower prices.

Electricity is important to every sector of the economy, including industry: Electricity runs the machines that enable workers to do their jobs. Wyoming had the highest usage per worker (122.8 kwh) of any state in 1999. Kentucky, West Virginia and Louisiana followed, in that order. Each of these states mines significant quantities of coal or petroleum. Indiana ranked 12th in this statistic but was still 46% above the national average because of our heavy manufacturing employment.

Overall, the industrial sector (manufacturing, mining, construction, agricultural services, fishing and forestry) accounted for 49% of electricity usage in Indiana in 1999 but only 33% nationwide (see Figure 4). Clearly, the price and availability of electricity will remain an important component of our state's economic future.

Figure 3: Residential Electricity Usage and Costs per Household, 1999

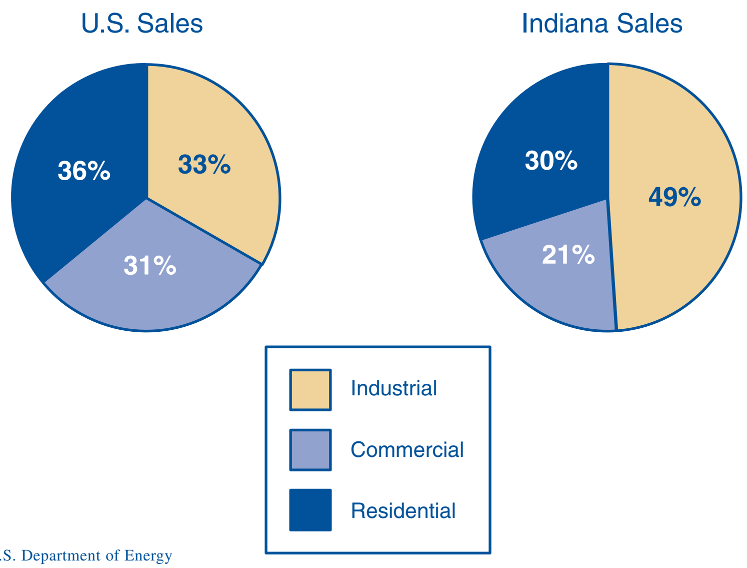
Indiana households use more electricity, at lower cost, than nation



Source: U.S. Department of Energy

Figure 4: Electricity Usage by Sector, 1999

Indiana's industrial sector accounts for 49% of usage statewide



Source: U.S. Department of Energy

The Buyout Balancing Act: Company Headquarters Moving

The pace of the business world just keeps increasing, as evidenced by the number of company headquarters moving in and out of our state in recent years. Indiana-based companies have purchased more than 500 companies since 1995, according to press reports. Approximately 300 of the companies purchased were previously headquartered out-of-state, while a third were in-state transfers. Another 60 acquisitions were companies located outside the United States.

Considering those deals for which price information was available, Indiana companies have spent more than $51 billion since 1995 buying other companies. During this same period, out-of-state interests purchased more than 400 Indiana-based companies. Foreign companies accounted for about 7% of these buyouts.

Some of the most familiar Indiana companies have been acquisition leaders. Between January and October 2000, NiSource was the Indiana company that ranked first in acquisitions; its $8 billion takeover of Herndon, Virginia-based Columbia Energy, outpriced all other buyouts. Since 1995, NiSource has bought four other energy companies, investing an additional $1.3 billion. Conseco Inc. and Simon Property Group have also been clear leaders in Indiana in terms of buyout dollars since 1995. Conseco spent more than $11 billion on 16 acquisitions, primarily for the purchase of life insurance companies. Prior to 1995, Conseco invested $300 million in five other insurance companies. Simon spent more than $5.5 billion in 1994, and since 1995 it has spent another $9 billion in five major purchases of shopping centers nationwide. Similarly, Emmis Communications has made more than 19 acquisitions since 1995, primarily purchasing radio and TV stations nationwide, with an estimated value of more than $2.3 billion. Guidant, with a new headquarters location in Indianapolis, made five major acquisitions valued at about $1.5 billion in businesses related to the treatment of heart disease.

Indiana-based companies have purchased more than 500 companies since 1995, according to press reports.

Other active Indiana acquirers have included Anthem Inc., which has invested more than $800 million for 13 companies, including Blue Cross-Blue Shield companies in Ohio, New Jersey, Connecticut, Maine, New Hampshire, Colorado and Nevada. Anthem also participated in a "buy back" of the outstanding shares of insurance brokerage Acordia. Acordia itself has acquired 14 brokerages around the nation. Evansville's National City Bancshares acquired 10 smaller banks, and Old National Bancorp, also in Evansville, acquired at least 11 smaller banks in the same time period.

Indiana companies have also acquired interest in international companies. Arvin Industries, before its merger with Meritor, acquired six businesses related to its auto muffler lines, four of which were in Europe. Brightpoint Inc., the cell-phone distributor, acquired 19 similar companies, 17 of which were outside the United States. Indianapolis-based Praxair Surface Technologies, which makes specialty industrial coatings, made six acquisitions, three of which were overseas.

Indiana lost several important headquarters since 1995; however, new headquarters have also been formed from company spin-offs. Most notable are the formation of Guidant Corp. from Eli Lilly and Co. and Anderson-based Delco Remy International and Guide Corp., both from General Motors. Even though Ball Corp. moved its headquarters out-of-state, its spin-offs Ball-Foster and Alltrista are new companies headquartered here.

From January to October 2000, out-of-state companies acquired nearly 50 Indiana-based companies. The two largest acquisitions of Indiana companies in 2000 were the purchases of IPALCO for $3 billion and Central Newspapers for $2.6 billion. Other recently purchased Indiana companies include Lilly Industries, $975 million; USA Group, $770 million; Arvin Industries (Columbus), merger with Meritor, $675 million; Indianapolis Life, $350 million; Meridian Insurance Group, $228 million; Robinson Nugent (New Albany), $115 million; United

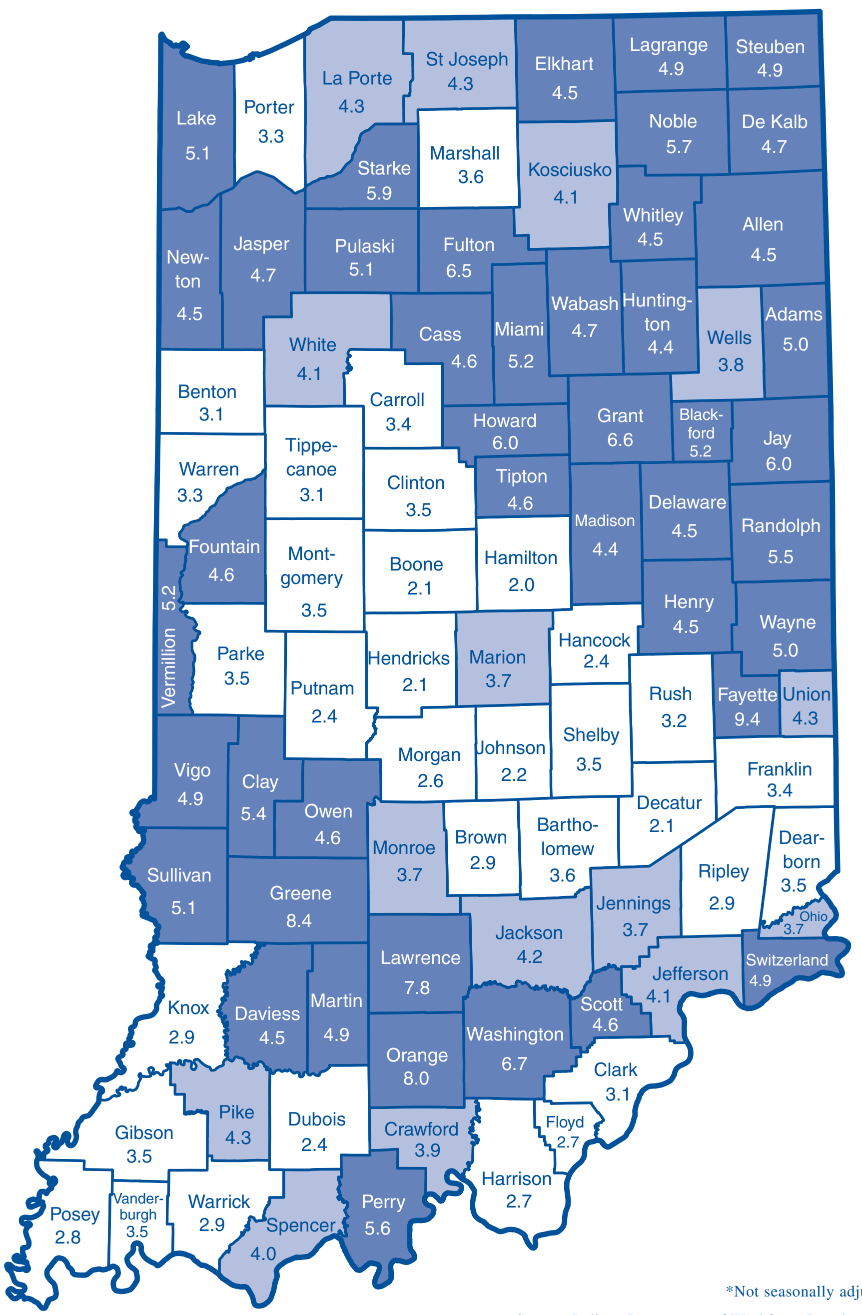
(continued on back cover)

Indiana Employment Snapshot

Figure 1: August 2001 Unemployment Rates by County

The national unemployment rate* for August 2001 was 4.9%

State Unemployment Rate = 4.0%
- Above State Rate (44 counties)
- Approx. Equal to State Rate (+/- 0.3) (15 counties)
- Below State Rate (33 counties)



*Not seasonally adjusted

Source: Indiana Department of Workforce Development

Indiana County Rates

- The Indiana unemployment rate in August was 4.0%. This rate was up one percentage point from the 3.0% rate in August 2000. (Rates were not seasonally adjusted.) The comparable nonseasonally adjusted rate in the nation in August was 4.9%.
- Counties with the highest unemployment rates in August were mainly rural counties:
  - Fayette: 9.4%
  - Greene: 8.4%
  - Orange: 8.0%
  - Lawrence: 7.8%
- Four out of the five counties with the lowest unemployment rates in August were in suburban Indianapolis:
  - Hamilton: 2.0%
  - Decatur: 2.1%
  - Boone: 2.1%
  - Hendricks: 2.1%
  - Johnson: 2.2%

Indiana Metro Area Rates

METRO AREA UNEMPLOYMENT RATES IN AUGUST 2001:

- Indianapolis: 3.2%
- Lafayette: 3.2%
- Evansville: 3.5%
- Bloomington: 3.7%
- South Bend: 4.3%
- Muncie: 4.5%
- Fort Wayne: 4.5%
- Elkhart: 4.5%
- Gary: 4.6%
- Terre Haute: 5.0%
- Kokomo: 5.8%

IN CONTEXT

IN Business
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