



# IAMC

INDUSTRIAL ASSET MANAGEMENT COUNCIL

## Dispatch

a newsletter for corporate real estate executives

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## Real Estate Execs Prepare for Sarbanes-Oxley, Find Silver Lining

IAMC's March 17 Research Roundtable at the Spring Professional Forum in Tucson brought together corporate end-users and a panel of experts to share insights on how to make the corporate real estate organization compliant with the Sarbanes-Oxley Act. The group learned the Act will have important effects on real estate operations, requiring additions to budgets. Many departments are still planning their compliance strategies. However, corporate real estate may become more effective as a result of the required changes.



Corporate real estate can emerge from the process of achieving Sarbanes-Oxley compliance with more direct authority for and control of the company's real estate operations and planning. For example, one real estate director said his company's auditors reviewed a situation of joint responsibility by himself and a business unit head for a facility and determined this should be moved entirely to his department. In another situation, auditors directed business units to engage the real estate department early in planning for all projects with real estate implications, so the department would not be cornered into rubber-stamping plans.

The Sarbanes-Oxley Act is a Congressional response to failure by a few companies to make public important operating issues. As a result, stockholders who might have sold the company's shares did not, and investors who might have avoided the shares

*(continued on page 2)*

**IAMC surveys attendees** on their satisfaction with Professional Forums and their constituent programs. The recently concluded Tucson Professional Forum, venue for this Research Roundtable, was the largest attendance-wise and the most highly rated overall. The Sarbanes-Oxley program was the most highly rated individual session at the Tucson Forum.

IAMC member **DADCO Consulting** sponsored the Sarbanes-Oxley Research Roundtable and the report that will follow this summer. Two previous Roundtables also sponsored by DADCO were the genesis of the reports "Organizational Patterns in Manufacturing and Industrial Corporate Real Estate" and "Outsourcing in the Corporate Real Estate Function — A Manufacturing Perspective."

IAMC will hold its next Research Roundtable at its Fall 2004 Professional Forum in Memphis, Tenn. Watch the Web site [www.iamc.org](http://www.iamc.org) for news and details about the program.



**Fall 2004 IAMC Professional Forum, Memphis, Tenn., September 26–29, 2004**

# Sarbanes-Oxley (continued from page 1)

bought them. The Act prescribes criminal penalties for CEOs and CFOs for future such failures. These corporate officers may not plead ignorance of internal operations. As a result, companies are identifying risks, defining processes, establishing controls over the processes and conducting periodic tests to certify control effectiveness. Corporate real estate management (CREM) organizations are in the midst of taking these steps.

IAMC polled Research Roundtable participants prior to the session to focus the program on their specific issues and questions. The survey found the Act will have major implications for real estate departments, will require new department expenditures, has some CREM implications that are not yet well defined, and could lead to upgraded accountability and authority for some department directors.

The tone of the Tucson program was collegial and interactive. The presen-

boundaries.

Real estate department budgets will have to grow a bit in response to the Act. Each important CREM

process must now be monitored and periodically tested to certify it meets standards set by the company. Although technology can help with this, additional person-hours may often be required, resulting in a budget impact. CREM departments are actively looking to their corporate CFOs for guidance on how to comply with the Act. Few, if any, department directors are in a position to clap the dust from their hands and declare their compliance preparations complete.

The target audience for Research Roundtables is IAMC Active members and other corporate end-user representatives. Roundtables are programmed to maximize the discussion and exchange of information among end-users on topics of current and vital importance to their companies.

Companies represented at the Tucson session included **Anheuser-Busch, BASF, CSX, Dana Corp.** and **Iron Mountain**, among others. The Roundtable's presenters represented the critical perspectives faced by a CREM department working on compliance with the Act. Jim Gray, the program's moderator, is a partner with real estate law firm Freeborn & Peters ([www.freebornpeters.com](http://www.freebornpeters.com)). Phil Hammel is director, global real estate, for Honeywell. Cliff Fischer of Fischer and Company is a consultant and real estate service provider ([www.fischercompany.com](http://www.fischercompany.com)). Jeff Randolph is a director of KPMG ([www.kpmg.com](http://www.kpmg.com)).



ters frequently paused for questions, which often turned into significant conversations.

The participants said complying with the Sarbanes-Oxley Act will require CREM functions to make operational changes. However, their extent and timing are not fully known yet.

For example, one CREM executive asked the rhetorical question, "How does Sarbanes-Oxley apply to the offshore assets and operations of U.S.-based companies?" He then posed a follow-up: "Will compliance guidelines for the Act differ from national culture to national culture?" He said business ethics differ somewhat across national

## Tucson's Take-Home Value

When was the last time you attended a conference and received true take-home value? For the members of IAMC, that time was March 13-17, 2004, at the scenic Loews Ventana Canyon Resort in Tucson, where the Spring Professional Forum delivered on multiple levels.

It started right away with the IAMC's first-ever Leadership Development Seminar. The four-day Professional Forum followed, attracting the largest attendance ever for IAMC. The 227 conference registrants heard keynote speaker Bob Kaplan discuss how to integrate the Balanced Scorecard approach into their industrial asset management responsibilities. The always popular peer-to-peer roundtables followed. Economist Robert Genetski predicted robust job growth and increased GDP for U.S. manufacturers for the remainder of 2004; and closing keynoter Jim Carroll offered some practical advice on how to deal with the rapidly changing technology that's accelerating the development of new industries. Finally, the closing Research Roundtable on Wednesday, March 17, trained corporate real estate executives in how to cope with the financial reporting demands of Sarbanes-Oxley.

Throughout the five-day event, the quality networking was virtually non-stop. The highlight for me was participating in an informal, unplanned discussion about IAMC and its value to the members late Tuesday evening in the spacious lobby lounge of the Loews resort. About 10 IAMC members stayed there until midnight discussing what they had learned at the Forum and how they could encourage their colleagues back home to get involved in the association.

To me, that was true take-home value, and the true measurement of this Forum's success.



by **RON STARNER**  
Executive Director  
IAMC



**BOB KAPLAN**

# Technical Education On the Upswing, But May Need a Push

Amid a lot of hand-wringing about the hiring of foreign scientific talent, then the offshore flight of tech jobs and the dearth of U.S. science and engineering graduates, there is heartening news. According to the Association for Career and Technical Education ([www.acteonline.org](http://www.acteonline.org)), enrollment numbers are up, as students cut to the chase in their pursuit of professional and vocational positions and the professional-grade pay that goes with them.

But at the same time, further cuts in federal funding may hamper a crucial secondary school program: the Carl D. Perkins Vocational and Technical Education Act. So said Thomas Applegate — president of the Association for Career and Technical Education, and executive dean at Austin Community College in Austin, Texas — in testimony before the U.S. House of Representatives Appropriations Subcommittee on Labor, Health and Human Services, Education and Related Agencies.

“The career and technical education supported by the Perkins program provides effective and proven links to skills-building opportunities and improved employment outcomes,” said Applegate. He also cited a 2002 survey by the U.S. Chamber of Commerce’s Center for Workforce Preparation, which reported that nearly 75 percent of employers report severe conditions

when trying to hire qualified workers, 40 percent say that applicants are poorly skilled, and 30 percent say that applicants have the wrong skills for available jobs.

In the best interests of industries like semiconductors, nanotechnology and biotechnology, the National Science Board and the Computer Systems Policy Project are also calling for increased attention to U.S. science education. Between 1995 and 2001, the number of U.S. graduates in science and engineering fields declined by more than 10 percent, to 295,000.

As part of his Jan. 20 State of the Union address, President George W. Bush announced a \$500-million “Jobs for the 21st Century” program, which calls for \$250 million to go toward community college/employer partnerships. However, further details — including funding sources for the program — have yet to be released by the White House. Community colleges already have been hit hard by cuts in state and local funding.

For more information on these issues, visit the following Web sites:

Association for Career and Technical Education, [www.acteonline.org](http://www.acteonline.org); Computer Systems Policy Project, [www.cspp.org](http://www.cspp.org); National Science Board, [www.nsf.gov/nsb](http://www.nsf.gov/nsb); American Association of Community Colleges, [www.aacc.nche.edu](http://www.aacc.nche.edu).



**IAMC**  
INDUSTRIAL ASSET MANAGEMENT COUNCIL

**NEW MEMBER UPDATE**

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**Members On the Move**  
**Stephen Heavener** has taken a position as executive director of Green River Futures in Green River, Wyo.

**New Corporate Members**  
**Robert P. Cull**, senior manager, North American real estate, Aventis Pharmaceuticals, Inc.  
**Brent Jenkins**, vice president, AIG Global Real Estate Investment Corp.

**New Associates**  
**Suzanne Benoit**, CEO, Longueuil Economic Development, Boucherville, Québec.  
**John DeLille**, executive director, Development Corp. of Snyder, Inc., Snyder, Texas.  
**Mario A. Hernandez**, president, San Antonio Economic Development Foundation  
**Dave Huminicki**, industrial development engineer, Manitoba Hydro, Winnipeg, Manitoba.  
**J. Gregory Nixon**, president and CEO, Rockwall Economic Development Corp., Rockwall, Texas  
**Steve Pritchett**, vice president, Amarillo Economic Development Corp.  
**Jason Smith**, director of business development, Lincoln Partnership for Economic Development, representing Lincoln & Lancaster Counties, Nebraska  
**James H. Swartchild, Jr.**, executive vice president, Paine/Wetzel ONCOR International, Chicago, Ill.

## SPONSOR spotlight Texas Marketing Team

### Toyota Supplier Tatus Breaks Ground in Georgetown

On March 18, Tatus Texas Corp. broke ground on its \$13.3-million, 100,000-sq.-ft. (9,290-sq.-m.) plant at its chosen 23-acre (9.3-hectare) site in Georgetown, Texas. The 102-employee plant — which will make plastic components for, among other customers, the Toyota Tundra truck plant coming to San Antonio — is pro-



jected to open in early 2005, and bring some \$1.4 million in tax revenue to the city in its first six years. The city of Georgetown — north of Austin and some 100 miles (161 km.) north of San Antonio — attracted the Bloomington, Ind.-based company in part with a \$400,000 incentive package that included infrastructure improvements. Princeton, Ind., is the current site of Tundra production for Toyota.



**THE 'OTHER' GEORGETOWN:** Community and company leaders celebrate the groundbreaking for the \$13.3-million plant being constructed in Georgetown, Texas, for Tatus Texas Corp., a major supplier to Toyota and others.

# IAMC Extends Leaders' Terms

## Productivity Cited as Purpose of the Move

By voice vote at the Spring 2004 Professional Forum in Tucson, IAMC's Active membership approved a change in IAMC's bylaws extending the terms of the board of directors and committee chairs from 12 to 18 months. The organization has experienced strong membership growth in recent months, and the Tucson Forum was its most success-

ful yet. With membership enthusiasm and program momentum accelerating, board members and committee heads felt 12 months is insufficient to frame programs, develop support for them, and then implement them.

One board member noted that it can take several months to establish working relationships among members of

the board and committees, at which point effective work really begins. The longer term will extend the time period of productive work available to them.

The 18-month period was adopted as a compromise between a year, viewed as too short, and two years, viewed as too long a commitment for members to make.

## Research and Resources

An item published in the Indian publication *Business Standard* in late March 2004 made note of one factor that may slow the **continuing outsourcing** to that country of business processing work. Even though U.S. companies may lease as much as 300 million sq. ft. of space there over the next decade (and hire three million workers), the decision by the Indian government to tax some foreign company operations may significantly slow such investment.

The Indian revenue department plans on taxing those operations considered core business, while not taxing those considered ancillary. Requests for clarification on this tax policy have been made by numerous large U.S. corporations. For the latest, visit the Indian Ministry of Finance at [www.finmin.nic.in](http://www.finmin.nic.in).

According to the *Wall Street Journal*, the tax shelter practice known as **SUTA dumping** (shorthand for State Unemployment Tax Act) is receiving close scrutiny from the General Accounting Office and from individual states.

The practice involves transferring employees from a business unit that has experienced high turnover or layoffs to a

newly created unit with no such history, which affords that new unit a lower tax rate.

The tax savings can be substantial: in North Carolina, according to the *Journal*, a company with the highest turnover rate may pay as much as 5.7 percent on each worker's first \$16,000 in income, while the lowest-turnover companies pay just 1.2 percent.

The state uses specially designed software to track employee movement, and the Bush Administration has included in its budget an item seeking similar software for every state. The result could be as much as \$200 million in recovered tax payments from corporations.

In June 2003 testimony before the House Ways and Means Committee, Robert J. Cramer, managing director, Office of Special Investigations, U.S. General Accounting Office, said, "Approximately three-fifths of the state unemployment insurance administrators informed us that their state laws are insufficient to combat SUTA dumping and that enforcement efforts to combat such practices are inadequate." For the full testimony, go to [www.gao.gov/new.items/d03819t.pdf](http://www.gao.gov/new.items/d03819t.pdf).



### IAMC Founding Sponsors

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([www.siteselection.com](http://www.siteselection.com)), the official publication of IAMC.

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