

Caterpillar to bring 1,400 jobs to Seguin

Company will build plant with help from Texas Enterprise Fund.

By [Laylan Copelin](#), [Lilly Rockwell](#)
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An Illinois-based, Fortune 50 company will move one of its main manufacturing facilities to Seguin, creating 1,400 jobs and securing a \$10 million investment from the Texas Enterprise Fund.

Caterpillar Inc., a heavy-equipment giant, is consolidating its assembly, paint and testing operations from Illinois and South Carolina to Seguin. On the economic development scorecard, the move counts as a win for Texas against Mexico and South Carolina, both of which were also competing for the facility.

"The location really just fits our long-term strategic plans," said Kate Kenny, a spokeswoman for Caterpillar. "About 70 percent of the engines that will be manufactured there will be exported, and Seguin gives us great access to ports and interstates and other hubs."

Seguin is on Interstate 10 and near Interstate 35, and it is about 30 miles northeast of San Antonio and about 50 miles south of Austin. The ports of Houston and Corpus Christi are about an equal distance away. And when construction of Texas 130 is completed, the city will mark one end of the highway.

The state's offering is the biggest Texas Enterprise Fund investment this year. In previous years, the fund has granted \$50 million to companies such as Texas Instruments. The Texas Enterprise Fund was created in 2003 at the urging of Gov. Rick Perry and was funded through the Texas Legislature in 2005 and 2007.

To qualify for money from the 5-year-old Texas Enterprise Fund, companies have to be moving to the state or conducting a significant in-state expansion. Eligibility also depends on whether the company can demonstrate a significant economic impact and local support.

The state's \$10 million investment comes with a commitment to creating a certain amount of jobs within a certain amount of time. Perry spokeswoman Allison Castle did not disclose Caterpillar's requirements.

"This investment in Caterpillar will not only create high-paying jobs for Texans, but will strengthen our state's overall economic situation and further diversify our state's economic makeup," Perry said in a statement.

Caterpillar is a manufacturer of construction and mining equipment, diesel and natural gas engines and gas turbines.

Also on Thursday, Caterpillar said it will lay off 814 employees starting in February at its engine facility in Mossville, Ill. Caterpillar has been working to cut costs to cope with the economic downturn. In October, Caterpillar reported a 6 percent drop in its third-quarter profit, saying higher steel and freight costs had affected its sales. It has forecast flat sales for 2009.

The company also had announced other job cuts earlier this year at its Illinois facilities and has reduced its work force in North Carolina and Europe.

"We are basically restructuring, and Seguin is now part of that," Kenny said. Caterpillar — which employs about 112,000 people worldwide, excluding contract workers — had said in June that it planned to open a new manufacturing facility.

After Thursday's announcement, Seguin officials were boasting about being a manufacturing center.

"We have the largest percentage of industrial-related jobs — per capita-wise — in the state of Texas," Mayor Betty Ann Matthies said.

Caterpillar's 1,400 jobs would only add to that reputation, and Caterpillar will become the largest employer in a city — population 25,091 — that already claims about 10,000 manufacturing jobs.

Matthies said workers for the new plant also will be drawn from neighboring communities.

"It's not just helping our community," she said. "It's helping the whole region."

Other manufacturers in Seguin include Continental AG (formerly Motorola), Minigrip/Zip-Pak (reclosable bags), Hexcel Corp. (aircraft components), Alamo Industrial Group Inc. (industrial mowers), CMC Steel and Tyson Foods Inc.

Matthies credited the state incentives as well as a local package that included tax breaks from the city, county and school district in helping attract the plant.

The breaks include a 10-year abatement on property taxes; plus, the city, county and school district don't tax manufactured goods that are in the plants fewer than 30 days. Local officials also will build streets and sewer lines to the plant site inside the city limits.

"It's an unusual circumstance when you can get a city, a county and a school district working together," Matthies said.

Terry Trevino, the city's economic development director, said 70 percent of the engines built at the Caterpillar plant in Seguin will be exported.

Groundbreaking is scheduled for January. The first phase of the plant will be completed in 2010, and the final portion done in 2011.

"We can't wait for them to break ground and get started," said state Rep. Ed Kuempel, R-Seguin. "It's going to have a great economic impact."

Courtesy of JB Goodwin



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