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Dell may expand to North Carolina

By: JOHN PLETZ

AUSTIN, Texas - After four years of ratcheting up computer shipments by more than 20 percent annually without building any new factories, Dell Inc. is exploring a third U.S. manufacturing center, possibly in North Carolina.

Dell has been scouting the Piedmont Triad area, specifically near Winston-Salem, which is trying to line up incentives. A vice president of the state's community college system told the Raleigh News & Observer that Dell is seeking incentives for a plant that could employ up to 1,900 people.

The story was reported in the paper's Saturday editions. It follows a report last week in the Winston-Salem Journal in which unnamed sources said Dell was scouting the region for a possible factory.

A Dell spokesman declined to comment on the reports.

In recent months, Dell officials have ducked the question of when or where the company might have to add manufacturing capacity. Instead, they said they've increased efficiency at plants such as those in Austin, where workers build desktop computers for corporate and consumer customers and servers and data-storage systems designed by EMC Corp.

But in a recent securities filing, Dell said its spending this year on property, plant, and equipment will increase by more than one-third, to \$450 million from \$329 million last year, because of its "worldwide expansion and the need for additional capacity."

Dell is the only major PC seller that still does final assembly of its computers, and executives have said repeatedly they don't plan to turn production over to others.

Dell is the top seller of PCs in the United States, which accounts for 65 percent of its revenue.

Dell opened its first U.S. plant outside of central Texas in Nashville, Tenn., in 1999. It now has two factories and a sales call-center there. That same year, Dell added two manufacturing facilities to its campus in north Austin.

But in 2000, Dell said it didn't plan any further expansion in central Texas, citing concerns including transportation problems and its desire to put facilities closer to large pools of customers

in the eastern half of the country. Dell's central Texas employment peaked at 22,000 in 2000 and is now about 16,000.

However, Dell has expanded its footprint across the United States, opening call centers in Twin Falls, Idaho, and Rosebud, Ore., and a distribution center in Nevada.

Rumors of Dell's interest have been swirling for several weeks through the 12-county Triad area.

The buzz grew after the Winston-Salem newspaper reported that the region's economic-development group had requested \$41 million in incentives over 10 years from the state's Golden LEAF Foundation, an economic development fund that gets half the proceeds from the state's settlement with tobacco companies.

The Raleigh paper reported that the state's community college system would give \$4.75 million in job training money.

North Carolina isn't all that far from Nashville, where Dell builds desktop computers and runs a huge distribution center for notebook computers that are built in Malaysia. But it's closer to many Dell customers on the East Coast.

Dell can't move the production offshore. Unlike notebooks, which are small and relatively light, desktops and servers are too expensive to build overseas and ship back to U.S. customers. Distance also wreaks havoc on Dell's highly effective but time-sensitive model of building computers only after customers place an order.

The Triad, which hired Austin economist Angelos Angelou to develop an economic-development plan for the region last year, is thirsty for manufacturing jobs to help laid-off workers from the furniture, textile and tobacco industries. Cigarette maker R.J. Reynolds alone has laid off about 12,000 workers in the region. In recent years, AT&T subsidiary Western Electric closed a phone-manufacturing plant.

Angelou did not return calls seeking comment.

Dell also could draw on a large pool of experienced tech workers in the Research Triangle. Tech companies there have laid off thousands of workers since the economic downturn began. IBM's PC business -- including manufacturing, which has been outsourced -- is based in Raleigh.

The Piedmont Triad region also is nonunion, another selling point for Dell, which was caught by surprise when Teamsters tried and failed to organize its Nashville manufacturing workers.

There are other advantages. Federal Express, which ships a lot of Dell's products, is building a new cargo hub at the Piedmont Triad International Airport. The airport recently broke ground on runway expansions that should be done by 2009.

Like Nashville, the region has a web of highways. Interstates 40 and 85 meet in Greensboro. And I-74 is set for a major expansion.

"It's a real up-and-coming area in North Carolina," said John Boyd, who owns the site-selection firm John Boyd & Associates in Trenton, N.J. "The cost structure is a lot less than Research Triangle. And there's available labor there."

And the region is willing to offer incentives after losing high-profile manufacturing projects from BMW and Mercedes, which went elsewhere in the South.

"They're determined not to lose the next trophy project," Boyd said. "The state is hungry."

Dell received heavy tax breaks when it moved its headquarters to Round Rock from Austin in 1993. Last year, Dell's sales generated \$20 million in sales tax for the city of Round Rock, and the company received rebates of about \$6 million, said David Kautz, the city's finance director.

In Nashville, Dell received incentives valued at more than \$150 million over 40 years.

Not everyone is certain the Piedmont Triad will prevail. Dell is reported to be looking at multiple locations.

"You can spend a lifetime elephant-hunting," said Roane Cross Jr., president of Forsyth Management Co., a real estate and venture capital investment firm in Winston-Salem. "There's such a battle of incentives ... if a plant goes to the one with the biggest incentive bucket, we probably aren't going to get it."