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ECONOMIC DEVELOPMENT STRATEGIES IN MONTANA:  
A CASE STUDY OF  
ANACONDA-DEER LODGE COUNTY, MONTANA

By

Patrick James Keating

B.S., St. John's University, Collegeville, MN. 1979

Presented in partial fulfillment of the requirement for the degree of  
Master of Public Administration

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1984

Approved by:

  
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TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS . . . . .	i
LIST OF TABLES . . . . .	iv
Chapter	
I. INTRODUCTION . . . . .	1
Statement of Problem . . . . .	1
Methodology. . . . .	6
II. INDUSTRIAL ATTRACTION EFFORTS IN ANACONDA- DEER LODGE COUNTY, 1958 to 1983. . . . .	10
III. ASSESSING THE EFFECTIVENESS OF ANACONDA- DEER LODGE COUNTY INDUSTRIAL ATTRACTION PROGRAMS . . . . .	22
Results of the Media-Advertising Campaign of the Late 1950s . . . . .	22
Results of the Letter-Writing Campaign of 1964-72. . . . .	22
Results of the Letter-Writing Campaign of 1981 . . . . .	25
Results of the Media-Advertising Campaign of 1981 . . . . .	25
Results of the Loan-Grant Business Development Program, 1981 to 1983. . . . .	27
Results of the Development of a Light Industrial Park in 1981-1983. . . . .	29
Costs and Revenues Generated by the Industrial Attraction Programs and Projects . . . . .	29
Jobs Created by the Industrial Attraction Programs and Projects . . . . .	32
Summary. . . . .	34

TABLE OF CONTENTS

	Page
IV. ALTERNATIVE STRATEGIES TO ECONOMIC DEVELOPMENT IN ANACONDA-DEER LODGE COUNTY. . . . .	38
Alternative Strategies . . . . .	38
"Tuning" the Economic Environment. . . . .	40
Management Assistance Programs . . . . .	42
Technology and Market Assistance Programs. . . . .	44
Financial Assistance Programs. . . . .	47
Factory Site and Building Development Programs . . . . .	57
Improving Labor Productivity and Labor- Management Relations . . . . .	58
Energy Assistance Programs . . . . .	60
Summary. . . . .	61
V. CONCLUSIONS AND RECOMMENDATIONS. . . . .	67
Conclusions. . . . .	68
Recommendations. . . . .	68
BIBLIOGRAPHY . . . . .	71
APPENDICES . . . . .	74



LIST OF TABLES

Table	Page
1. The Number of Firms Responding by Response Category, 1964 to 1972 . . . . .	24
2. The Number of Firms Contacted, the Number of Firms Responding, and the Number of Firms in Each Response Category, 1981. . . . .	26
3. The Number of Responses Received by Response Category as a Result of the Media-Advertising Campaign of 1981 . . . . .	28
4. Costs and Revenue Generated by the Industrial Attraction Programs and Project Undertaken in Anaconda-Deer Lodge County from 1958 to 1983 . . . . .	30
5. A Breakdown of the Number of Jobs Directly Created by the Industrial Attraction Programs and Projects from 1958 to 1983. . . . .	33

## CHAPTER I

### INTRODUCTION

#### Statement of the Problem

Economic growth in Montana has always been based on the well being of the primary base industries of agriculture, timber or wood products, and mineral resources extraction and processing. Reliance upon these industries has always been great, and the result has been a history of "boom or bust" as the supply of resources has been depleted and as markets and technologies have changed.

Over the years the seriousness of the problems inherent in Montana's economic reliance upon these few industries has increased dramatically. The inability of these primary industries to adapt and keep pace with changes occurring in the industrial world has led to the loss of population and jobs. No longer are they able to provide economic stability and continuity in the cities and towns of Montana. The state of these primary industries presents a serious threat to the livelihood of Montana and its communities.

Increasingly over the past several years, the state and its communities have been abandoning the assumption that the role of government is to provide certain social and administrative services while the private sector is entrusted with determining the composition of local industries, the development of local firms, and the number, location, and variety of jobs. Instead, state and local communities have been trying to find ways to consciously and purposefully influence

their economies because the consequences of not doing so are simply too high.

In the past two decades, state government and a growing number of local governments have formed departments of economic development or quasi-public economic development corporations. These entities, with slight variations from place to place, have undertaken the task of securing new investments and employment opportunities for their communities. Typically, communities and the state when undertaking economic development programs have sought to entice large established firms into relocating or expanding into an area. This industrial attraction strategy involves a set of programs designed to influence site location decisions made by corporate managers in other communities. In pursuing such a strategy a city or the state either picks firms at random or chooses them based on their compatibility with the resources available in the area. They then set into motion an intensive campaign to attract these industrial firms into the area. This usually consists of multi-media advertising (such as advertising through radio, television, newspapers, magazines, and trade journals) and/or letterwriting campaigns aimed at identified firms. Many concessions are offered including tax breaks, inexpensive land, sewer and water development, low-interest loans, and railroad spurs.

The problems inherent in the industrial attraction strategy center around the fact that it is a high risk, high cost, one-dimensional approach to economic development. It is a "glamorous" attempt to provide jobs and increased income in a very short period of time. It is risky because the chances for success are very low. The odds of Montana or any one of its communities enticing one large

established firm to expand or relocate into the area are slim, and the odds of them enticing several such firms are even less. The former Montana Governor's Office of Commerce and Small Business Development confirmed this in a study conducted in 1980:

Only about seven percent of all manufacturing firms have "tentative" plans to expand existing facilities or establish plants at a new location each year. Less than 15 percent of these plans actually materialize. Further, it is likely that development will occur at an existing site not at a new location. Less than 10 percent of these firms ever relocate or grow to the point of having branch plants. (Of course, firms that do are some of the largest and hence, most likely to relocate.) Also, many firms don't move very far in location. Even though the shift has been towards the "small town", the site is often within the vicinity of a metropolitan area.<sup>1</sup>

Furthermore, the competition for those firms that do relocate or grow to the point of having branch plants is fierce and costly. A study conducted in the 1950s, long before industrial attraction efforts became widespread, found some 16,000 development organizations competing for 200 available corporate moves at a cost of well over \$250 million dollars.<sup>2</sup> Efforts to attract industrial firms can use up scarce resources very quickly with no guarantee of producing the desired outcome.

Yet another problem with the industrial attraction strategy is that it is a one-dimensional approach, focusing narrowly on enticing large established firms into the area. The result of this singular focus is that it draws attention away from alternative approaches to economic development. It totally neglects, for example, the development of small new businesses or the retention of existing businesses.

Two interrelated, alternative strategies for achieving economic development will be explored in this paper. The first of these focuses on small businesses and seeks to stimulate the birth of new firms and

expansion of existing small firms. A small business is defined here as one that employs fewer than 50 people. Such a strategy seems desirable because firms with fewer than 20 employees generate two-thirds of all new jobs in the United States.<sup>3</sup> The second alternative strategy is a business strategy aimed at retaining and revitalizing existing businesses, large or small. The logic behind this strategy is that it is easier and less costly to aid existing companies that require assistance than it is to attract replacement businesses and jobs after firms have failed or left the community. It does not try to revive dead sectors, but focuses on viable businesses or industries in need of assistance.

To pursue the strategies of small business development and business retention requires integrated action in two areas. First, the existing environment must be "tuned" to be more favorable for the development and growth of small businesses and the operation of existing businesses.<sup>4</sup> Secondly, programs are needed to assist businesses in improving their management skills, in enlarging their access to important technological and market knowledge, and in benefiting from better quality, less expensive and more accessible financing, factory sites and buildings, labor, and energy.

Neither small business development nor business retention has the potential for creating hundreds of jobs and millions of dollars in investment as quickly as does the relocation of a large industrial plant into a community. However, they do hold the potential for retaining existing employment and increasing employment and investment significantly over the long-run. It will require change and sacrifice

from people, but potential benefits should far outweigh the sacrifices and changes in lifestyle.

However attractive or glamorous the industrial attraction strategy may appear to be in principle, critics argue that in practice it has been generally unsuccessful in achieving results in Montana and that it has only resulted in wasting scarce resources. Unfortunately, there has been very little research conducted to determine whether or not the industrial attraction strategy is producing results, or whether the alternative strategies of small business development and business retention may produce greater results. Only recently has action been taken by local communities, Montana Department of Commerce, and the state legislature to learn more about these alternative strategies and to apply them in efforts to improve local economic conditions.

Economic Development is an ongoing process. The strategies and programs selected, or to be selected, by a community or state should be examined and evaluated in terms of their effectiveness and appropriateness in improving an area's economic well-being. Such an examination is necessary to ensure that economic development activities are being carried out as intended and/or are effective methods for helping an area realize its development goals.

The purpose of this study is threefold. First, it examines and evaluates the effectiveness of the industrial attraction strategy as it has been pursued in the specific case of Anaconda-Deer Lodge County, Montana. Second, it reviews programs and methods that may be utilized to "tune" the existing environment and assist small businesses and existing businesses in their development, operation, and expansion. Third, it offers recommendations aimed at encouraging economic

development in Anaconda-Deer Lodge County and makes suggestions regarding which approaches and issues are deserving of further study.

### Methodology

The guiding research hypothesis of this study can be stated as follows:

The industrial attraction strategy employed in Anaconda-Deer Lodge County has not been effective in creating jobs and increasing income in the community.

The primary goals of Anaconda-Deer Lodge County's economic development efforts have been to create jobs and income in order to lessen the impact of the long-term trend of deterioration in the local economy. Since 1958, programs have been developed and implemented in the community to entice large established firms into relocating or expanding into the area in order to create jobs and income. Testing the hypothesis stated above required analyzing the means by which firms were encouraged to come to Anaconda-Deer Lodge County, the concessions that were offered to them, the costs involved, and the net gains in terms of jobs and income.

Programs developed and implemented by Anaconda-Deer Lodge County economic development organizations since 1958 to entice large established firms into the area include the following:

1. Letter-Writing. Utilized from 1964-72 and briefly in 1981, this program has been the basis of industrial attraction efforts in Anaconda-Deer Lodge County. Large established firms located throughout the United States were chosen randomly from 1964-72 and selectively in 1981. Letters explaining the location of the area and its competitive advantages were sent to each firm.

2. Media-Advertising. Newspaper advertising programs were conducted briefly in the late 1950's by the Deer Lodge County Industrial Development Corporation and in 1981 by the Anaconda Redevelopment Task Force. In each program an advertisement extolling the area's natural beauty and advantages for doing business was placed in several of the nation's largest newspapers.

Vague concessions were promised to any firm responding to the media-advertising program of the late 1950's and letter-writing campaign of 1964-72. Inexpensive land suitable as industrial sites was made available to potential firms, as was financing from local banks. Concessions offered to firms responding to the 1981 letter-writing and media-advertising campaigns included the following:

1. Light Industrial Park. A fully-developed industrial park was designed and constructed by the Anaconda Local Development Corporation (ALDC) on land donated by the Anaconda Minerals Company. The 57 acre park is divided into one to five acre parcels. The parcels include all utilities, plus streets, curbs and gutters, lighting, landscaping and highway access.

2. Grant-Loan Business Development Program. The Grant-Loan Business Development Program was designed to provide long-term, low-interest loans and grants to profit and non-profit organizations. The program was funded from a \$3.0 million dollar economic readjustment fund given to Anaconda by ARCO-Atlantic Richfield Company, the parent company of the Anaconda Minerals Company. The purpose of the program, as set by ARCO as a condition for the community receiving the money, was to create new jobs in the community.

In order to test whether or not the industrial attraction strategy employed in Anaconda-Deer Lodge County has been effective in creating jobs and income in the area, this study examined three sets of factors. First, it looked at the number of large established firms contacted through the letter-writing and media-advertising campaigns and the number that actually relocated or expanded into the area. Second, it examined the net fiscal impact of the programs and projects on the area's revenues; that is the difference between the expenditures for each program and project and the revenues generated in terms of plant investment and annual payroll. Third, it examined the net number of jobs created by the programs and project.

Gathering the data necessary for testing the hypothesis stated



earlier entailed an examination of the records kept on file by the Deer Lodge County Industrial Development Corporation, Anaconda Local Development Corporation, and Anaconda-Redevelopment Task Force on the letter-writing and media-advertising campaigns, and on the light industrial park project and Grant-Loan Business Development Program. The research design also required conducting personal interviews with those individuals directly involved in the industrial attraction programs and projects. Interviews provided additional information and allowed for clarification and verification of information collected from the records of the organizations involved in the economic development efforts.

To provide individuals involved in economic development in Anaconda-Deer Lodge County with specific information on programs and methods applicable to the small business development and business retention strategies, the study did two things. First, it examined related economic development literature available from the University of Montana and Montana State University libraries and from other secondary sources for applicable programs and methods. In addition, information on relevant programs and methods was obtained from economic development workshops, seminars, and meetings attended by the author.

Based upon a review of the findings and conclusions of this study, recommendations were developed regarding how to further stimulate economic development in Anaconda-Deer Lodge County. These recommendations, presented in the final chapter of this paper, include program initiatives that are worthy of further study.

ENDNOTES

<sup>1</sup> State of Montana, Governor's Office of Commerce and Small Business Development, Economic Conditions in Montana, Report of the Governor 1980, December 1980, p. 24.

<sup>2</sup> Albert Shapero, "Entrepreneurship: Key to Self-Renewing Economies," National Council for Urban Economic Development Commentary, April 1980, p. 20.

<sup>3</sup> David L. Birch, "Generating New Jobs: Are Government Incentives Effective," National Council for Urban Economic Development Commentary, April 1981, p. 22.

<sup>4</sup> Shapero, p. 22.

## CHAPTER II

### INDUSTRIAL ATTRACTION EFFORTS IN ANACONDA-DEER LODGE COUNTY, 1958 to 1983

Anaconda-Deer Lodge County, located in the southwestern portion of Montana, is the second smallest county in Montana. Much of the county is mountainous, timbered, and under the jurisdiction of public agencies such as the U.S. Forest Service and Montana Department of Fish, Wildlife, and Parks. The area is highly mineralized and, in the past, major mining operations were conducted in Anaconda, as well in Butte, 25 miles to the southeast. The townsite was chosen by Marcus Daly, founder of the Anaconda Copper Company, as the site for the Company's smelter. A local supply of water for ore concentration and wood for fuel for the smelter's furnaces were major factors in the selection of the site. The Anaconda Copper Company has traditionally been the principal employer in Anaconda-Deer Lodge County employing from 35 to 50 percent of the workforce.<sup>1</sup>

In the 1950s a number of events began to affect the ability of the Anaconda Copper Company to provide the same levels of employment as it had in the past. Major strikes in 1954, 1957, and 1959 resulted in significant financial losses to the Company and lessened its ability to maintain a stable economic structure. Changes in markets and technology also began to play a significant role in the reduction and elimination of certain parts of the Company's operations in the Anaconda-Deer Lodge County area. Foreign plants with higher grade ore and significantly lower operating costs began exerting intense competitive pressures on

domestic companies. Automation in the mining and smelting of copper ore also resulted in the loss of jobs. Several hundred residents of Anaconda-Deer Lodge County, for example, lost their jobs in Butte when open-pit mining replaced a significant portion of underground mining in 1953.

The Deer Lodge county Industrial Development Corporation, a quasi-public economic development organization, was established in 1958 in response to the declining fortunes of the Anaconda Copper Company. The Corporation stated its purposes in its articles of incorporation as follows:

1. To acquire lands and buildings and other property by option, purchase or lease, which was deemed necessary and advisable for the purpose of encouraging and promoting industry, commerce and other types of business in Deer Lodge County, and to handle and operate such property and lease, rent or sell the same for the purpose of accomplishing the ultimate objectives stated above;
2. to encourage, secure, and develop employment for present and future residents of the Deer Lodge County area;
3. to encourage and assist existing and new industry and commerce in the Deer Lodge County area, with respect to problems incident to expansion, development, finance, and research; and
4. to do any and all acts and things necessary and incident to the accomplishment of the preceding purpose of the corporation and its general operation.

The Corporation's initial activities consisted of attempts to obtain the ownership of the Montana Hotel (a landmark establishment built by Marcus Daly in 1888) from the Anaconda Copper Company, to establish an industrial land site, and to attract new industry into the area through the placement of ads in a number of prominent national newspapers. The Development Corporation sought to purchase the Montana Hotel in order to assume its continued operation. Before the purchase could be arranged, however, it was sold to an out-of-town party which

continued to maintain it as a hotel until it was sold to a local group of investors. Unable to operate it successfully, this group sold the Hotel in 1979 to a developer who gutted the building and remodeled it for use as office and retail space. The Development Corporation's second project, a fifteen acre industrial site, was initiated by an offer from the Anaconda Minerals Company to provide the land. The land was offered on the condition that a firm commitment be made by a company considering a move to the area. No such commitment was ever made and the offer was rescinded by the Company. The Development Corporation's third project, an advertising campaign, was an attempt to attract new industry into the area. As explained in the next chapter the results of this advertising campaign were very disappointing.<sup>3</sup>

After these initial efforts proved to be fruitless, interest in the Corporation waned for several years. The Corporation was revived in 1964 after the Anaconda Minerals Company transferred its copper ore concentration facility in Anaconda to Butte, a move which resulted in the loss of approximately 500 jobs in Anaconda-Deer Lodge County.

Initial work of the rejuvenated Deer Lodge County Industrial Development Corporation included setting up an organizational structure and developing a dependable source of funding for operation of the organization. With enough revenue produced from a volunteer payroll deduction plan, set up through local businesses, the Corporation hired a professional industrial developer in 1964. The industrial developer had a proven track record of creating and bringing new industry into an economically-troubled area. The industrial developer immediately began an intensive letter-writing program designed to attract large established firms into the area. He randomly selected "hundreds of

thousands" of firms from throughout the United States and mailed each one a personal letter describing the area and its competitive advantages.<sup>4</sup> Follow-up letters were sent to those firms which requested additional information. He also undertook efforts to obtain land suitable for industrial plant sites, and to encourage and assist existing and new industry and commerce in the area with respect to problems related to expansion, development, finance, and research. Efforts included attempts to establish a Youth Job Corp Camp, a steel mill, a phosphate plant, and a wool processing plant in Anaconda-Deer Lodge County. Efforts were also undertaken by the Corporation to encourage the establishment of a law in Montana authorizing the use of industrial revenue bonds.

Results of these efforts were mixed. A bill pushed by the Corporation was passed by the Montana Legislature in 1964 authorizing the use of industrial revenue bonds in Montana. A Youth Job Corp Camp opened its doors in 1966, which today employs 63 people. The steel mill project was deemed feasible, but was dropped when the company considering the project failed to come up with financing for the project. The phosphate plant was built in Idaho instead of Anaconda because of a higher abundance of ore in that area.<sup>5</sup> The wool processing plant was considered unfeasible because of the high cost of shipping processed wool back east for manufacturing and because of the reluctance of wool growers in Wyoming and Montana to sell to new buyers.<sup>6</sup>

The letter-writing program and the other efforts undertaken to improve the local economy were funded and carried out entirely by the Deer Lodge County Industrial Development Corporation. The Corporation obtained its operating funds during this time from member contributions

and from the payroll deduction plan described above. These funding methods proved to be inadequate sources operating capital for the Corporation, and more reliable sources were sought. One such source was found in 1966 when the Corporation became a member of the Inter-County Development Corporation of Southwestern Montana, which was established that same year to form an economic development district. As an economic development district, the twelve county organization was able to obtain yearly grants from the U.S. Economic Development Administration (EDA). The Deer Lodge County Industrial Development Corporation became the administrative agency of the new Inter-County Development Corporation and thus became responsible for improving economic conditions in eleven other counties as well as in Anaconda-Deer Lodge County.

The Deer Lodge County Industrial Development Corporation and the Inter-County Development Corporation continued with their joint efforts to improve the economy of southwestern Montana until 1972. At that time the letter-writing program and related efforts were discontinued. This action resulted from the resignation of the Deer Lodge County Industrial Development Corporation's Director and the discontinuation of funding from the EDA for the operation of both organizations. The most significant achievement of the Deer Lodge County Industrial Development Corporation had been development of the Fairmont Hot Springs Resort, 10 miles southeast of Anaconda. A feasibility study conducted for the Corporation in 1969 determined the project's feasibility. A private group of investors was then formed to undertake the development of the resort, which opened in 1973 and currently employs 82 people.<sup>7</sup>

Primary responsibility for improving local economic conditions in the mid 1970s was shouldered by the Anaconda Urban Renewal Agency

which had been formed in 1970 to take advantage of the new sources of funding resulting from changes in the federal Housing Act and Montana Urban Renewal Act. Together, these statutes provided for a variety of programs and funding for urban improvement in Anaconda.

An eight-year Urban Renewal Plan was developed by the Urban Renewal Agency in 1972. The plan called for the development of a pedestrian mall in downtown Anaconda, a new city-county municipal building, a revamped business district, new apartment complexes, the "thinning out" of substandard housing, and new streets, sidewalks, curbs, and sewer and water utilities.<sup>8</sup> From 1972 to 1978 the Anaconda Urban Renewal Agency (whose name was changed to the Community Development Agency in 1975) was the main instrument for efforts to improve local economic conditions.

In 1978 a group of concerned citizens who saw the need for concerted private sector efforts to improve the local economy formed the Anaconda Local Development Corporation (ALDC). A director was hired with funding from the Old West Regional commission, a commission on economic development established by Montana, North and South Dakota, Wyoming, and Nebraska. Initial projects of the ALDC in its first two years of existence included the promotion of an indoor pedestrian mall and the development of a light industrial park.

Construction of the indoor pedestrian mall stopped in 1978 as a result of a suit filed by a local citizens group against the development of the mall. The suit was based on evidence that proper procedures were not followed in the demolition of certain historical buildings in the area. The court ruled that the Community Development Agency and the federal Housing and Urban Development Agency had not followed proper



procedures and that the buildings should not be torn down. An alternative proposal for developing the mall was rejected by the Anaconda-Deer Lodge County Commission because it felt the ALDC lacked sufficient financing to assure completion of the project.

The light industrial park was still in its design stage when on September 29, 1980, the Anaconda Minerals Company announced the closure of its copper smelter operation in Anaconda. The plant closure eliminated 1,000 jobs and indirectly affected an estimated 78 percent of all jobs and 82 percent of total personal income in Anaconda-Deer Lodge County.<sup>9</sup> Work on the light industrial park project was halted as a result of the shutdown.

It was in response to the smelter closure that the Anaconda Redevelopment Task Force was formed. The Task Force was initially funded by a six-month, \$13,000 grant from the Old West Regional Commission, and the grant was used for hiring a Task Force director. As originally constituted, the Task Force included all five city-county commissioners and representatives from organized labor, the Chamber of Commerce, Anaconda Local Development Corporation, churches, schools, and news media. In November 1980, the Task Force was reorganized to reduce involvement of local government and to expand its membership from the local community to include individuals with expertise critical to economic development, specifically law, finance, and engineering. Assistance was provided by staff members of the Anaconda-Deer Lodge County Community Development Agency, the Anaconda-Deer Lodge County Planning Board, and the Anaconda Local Development Corporation. These agencies retained full responsibility for their own plans and programs,

but agreed to work with the Task Force in the economic redevelopment of the community.

In January 1981, Anaconda received a \$3.0 million economic readjustment fund from ARCO-Atlantic Richfield Company, the parent company of the Anaconda Minerals Company. ARCO had promised to provide the fund to the community in 1980 at the time it had announced closure of its smelting operation. ARCO mandated that before the money would be transferred to Anaconda guidelines had to be established and submitted to them for approval regarding how the money was to be used.

The guidelines developed by the Task Force established that the money should be used for grants and/or low-interest loans to help new businesses and industries establish themselves in Anaconda. Administrative costs of the newly developed Loan-Grant Business Development Program were to be paid out of the \$3.0 million dollar fund. Money was to be loaned at a rate one percent below that of the U.S. Small Business Administration Disaster Loan Program. The Task Force Director was responsible for screening applicants and submitting their requests for loans and/or grants to the Task Force's Finance and New Industry committees. After evaluation of the proposals the Finance Committee would make a recommendation regarding whether or not to approve the request and would send it to the Task Force for a final decision.

The Task Force hired a professional industrial developer in January 1981, to direct and manage the economic redevelopment of the community. The industrial developer immediately undertook a letter-writing campaign aimed at enticing large established firms into the area. This effort consisted of a letter sent to prospective firms

describing the area, its competitive advantages, and the resources available to firms seeking to relocate or expand into the area. This letter-writing campaign differed from the one conducted from 1964 to 1972 only in the selection of firms. In the program conducted from 1964 to 1972 letters were sent to any and all firms in the United States, while in 1981 letters were sent only to high technology firms engaged in the manufacturing of computer or related goods. The industrial developer also started an advertising campaign, placing ads in several of the nation's largest newspapers describing the area, its natural beauty, and its potential for new business markets. The industrial developer was discharged because of personal problems in July 1981, and the letter-writing and advertising programs were discontinued as a result.

Meanwhile, the ALDC continued its efforts to develop a light industrial park. The ALDC obtained a \$1.02 million dollar grant from the Task Force and 57 acres of land donated by the Anaconda Mineral Company in 1981. When completed in 1983 the total cost of the park came to \$850,000.00. As constructed, the park boasts paved streets, curbs and gutters, a railroad spur, street lighting, landscaped lots, and one model industrial building to be sold or leased to a prospective firm. The park is divided into one to five acre parcels for sale to light industries. It was originally envisioned that the park would provide an added inducement to those firms being contacted in the letter-writing and advertising programs.

In July 1981, an Economic Redevelopment Plan was completed for the community by a consulting firm. The plan had been prepared with funding from a U.S. Department of Commerce, Economic Development

Administration (EDA) grant. The plan reviewed the local economy, the impact of the smelter closure, the constraints and opportunities within the local economy, and then recommended a redevelopment strategy. This strategy involved strengthening and developing the area's basic sector industries--manufacturing, tourism, and government. The primary focus of the plan was to be "the small investor, the entrepreneur who will invest his or her time, effort, and capital in an enterprise that would create a small number of jobs, instead of trying to entice large established firms into the area."<sup>10</sup> As such, the plan proposed an alternative strategy to the industrial attraction approach presently being pursued. It was also very similar in scope to the alternative strategies examined in Chapter IV in that it sought to retain existing businesses and develop small businesses. Additional funds from the EDA were requested by the Task Force for the implementation of the plan, but the request was denied. As a result, no further consideration was given to the plan by the Task Force.

The Anaconda Task Force continued its efforts to redevelop the local economy until March 1983. At that time the community felt that the organization had completed its task and that the responsibility and administration of the economic redevelopment of the community should be turned over to the Anaconda Local Development Corporation. The ALDC, with assistance from agencies of the local government, accepted its responsibility and now functions as the primary vehicle for improving the economy of the area.

In summary, the industrial attraction strategy pursued by economic development organizations in the 1950s included (a) the media-

advertising campaign of the late 1950s, (b) the letter-writing campaign of 1964 to 1972, (c) the letter-writing campaign of 1981, (d) the media-advertising campaign of 1981, (e) the Loan-Grant Business Development Program from 1981 to 1983, and (f) the light industrial park project of 1981 to 1983. The following chapter analyzes these specific programs and assesses their effectiveness in attracting large established firms and in creating new jobs and income in Anaconda-Deer Lodge County.

ENDNOTES

<sup>1</sup>Anaconda-Deer Lodge County, EDA Title IX Economic Development Plan, Anaconda-Deer Lodge County, Montana, July 15, 1981, pp. 11-19.

<sup>2</sup>Deer Lodge County Industrial Development Corporation, Articles of Incorporation, April 1958, p. 1.

<sup>3</sup>Based upon a personal interview between Robert Boyd (President of the Deer Lodge County Industrial Development Corporation at the time), and the writer, December 15, 1983.

<sup>4</sup>Statement by Howard Shinrock, the industrial developer, in a phone interview, December 13, 1983.

<sup>5</sup>Ibid./ <sup>6</sup>Ibid.

<sup>7</sup>Anaconda-Butte Development Task Force, Montana Tri-County Profile, Deer Lodge, Powell, and Silver Bow, January 1982, p. 27.

<sup>8</sup>"Eight Year Plan for Renewing Anaconda Unveiled by Gallagher", Anaconda Leader, September 5, 1971, p. 1.

<sup>9</sup>Anaconda-Deer Lodge County, EDA Title IX Economic Development Plan, Anaconda-Deer Lodge County, Montana, p. 1.

<sup>10</sup>Ibid., p. 69.

## CHAPTER III

### ASSESSING THE EFFECTIVENESS OF ANACONDA-DEER LODGE COUNTY INDUSTRIAL ATTRACTION PROGRAMS

#### Results of the Media-Advertising Campaign of the Late 1950s

A complete analysis of the Media-Advertising program of the late 1950s was not possible because of the lack of reliable information regarding how many ads were placed and with what newspapers. The then President of the Deer Lodge County Industrial Development Corporation, Robert Boyd, indicated that advertisements were placed in several of the nation's prominent newspapers, including the Wall Street Journal.<sup>1</sup> The results of this program, however, are clearly documented. No firm responded to the ads.<sup>2</sup>

#### Results of the Letter-Writing Campaign of 1964-72

Analysis of the Letter-Writing Campaign of 1964-72 included determining the number of firms contacted, the number of firms that responded, and the types of responses received. For purposes of this research a tally sheet was devised for recording data on the letter-writing campaign (see Appendix A). The information recorded on this tally sheet included a firm identification number, indication that a letter of inquiry had been sent and a letter received in response, the firm's name and address, the type of response, and whether or not the firm actually relocated or expanded into the area. The types of responses were numerically coded as follows:

1. Not planning to expand into Anaconda-Deer Lodge County.

2. Not planning to relocate into Anaconda-Deer Lodge County.
3. We are interested, please send more information.
4. We will be relocating or expanding into Anaconda-Deer Lodge County.
5. No response received.
6. Other.

Analysis of the records of the Deer Lodge County Industrial Development Corporation did not reveal the actual number of firms contacted through its letter-writing program. The only written record of the number of firms contacted is found in the minutes of a December 12, 1968 meeting of the Corporation's Board of Directors:

He (the industrial developer) told of the direct-mail campaign which we (the corporation) have been carrying on for the past four years (1964-68). He had been sending out from 200 to 400 letters a week to large industrial firms throughout the United States.<sup>3</sup>

Interviews with members of the Board of Directors and a former employee confirmed that the number of letters sent out to firms from 1964 to 1972 was between 200 and 400 a week. In addition, the industrial developer estimated the number of firms contacted to be in the "hundreds of thousands".<sup>4</sup>

While the actual number of firms contacted is unknown, records clearly establish that only 227 firms responded to the letter-writing program. Table 1 presents the number of firms responding and the nature of their responses.

Of the 227 firms responding, only eight requested additional information. Further analysis revealed that none of the eight firms requesting additional information relocated or expanded into the area.



Table 1

The number of Firms Responding by Response Category,  
1964 to 1972.

Response	Number of Firms
1. Not planning to expand into Anaconda-Deer Lodge County.	164
2. Not planning to relocate into Anaconda-Deer Lodge County.	43
3. We are interested, please send more information.	8
4. We will be relocating or expanding into Anaconda-Deer Lodge County.	0
5. No response received.	unknown
6. Other	12
	<b>Total</b>
	227

The majority of firms responding indicated that the reason they would not consider moving or expanding into Anaconda-Deer Lodge County was that their markets and suppliers were located near their present sites, making it a much more advantageous place for them to do business.

#### Results of the Letter-Writing Campaign of 1981

Analysis of the letter-writing campaign conducted in 1981 also involved determining the number of firms contacted, the number of firms responding, and the types of responses received. The same tally sheet system used in the analysis of the 1964-72 letter-writing program was used for the 1981 program.

Analysis of the records kept by the Anaconda Redevelopment Task Force shows that 390 firms were contacted, all of which were high-technology firms. Such firms were thought to be "footloose" industries not tied to a natural resource base or market orientation and which were seen as realistic growth candidates for Montana.<sup>5</sup> Table 2 presents the number of firms contacted, the number of firms responding, and the number of firms in each response category. Of the 390 firms contacted, none bothered to respond.

#### Results of the Media-Advertising Campaign of 1981

Information on the effectiveness of the media-advertising campaign of 1981 was obtained from records kept on the program by the Task Force. An ad was placed in several of the nation's largest newspapers, including the Los Angeles Times, Denver Post, Wall Street Journal, San Francisco Chronicle, New York Times, Minneapolis Tribune, Seattle Times, and Washington Post. Responses to the ad were recorded

Table 2

The Number of Firms Contacted, the Number of Firms Responding,  
and the Number in Each Response Category, 1981.

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Response	Number of Firms
1. Not planning to expand into Anaconda-Deer Lodge County.	0
2. Not planning to relocate into Anaconda-Deer Lodge County.	0
3. We are interested, please send more information.	0
4. We will be relocating or expanding into Anaconda-Deer Lodge County.	0
5. No response received.	390
6. Other.	0
Total	390

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on a tally sheet which consisted of the following categories: a response identification number, type of responses, name and address of firms responding, and whether or not the firm relocated or expanded into Anaconda-Deer Lodge County (See Appendix B). Table 3 presents the results of the ad campaign.

The media-advertising campaign produced no responses at all from business organizations. All responses in the category labelled "other" were inquiries from individuals who wanted to know whether or not there were any job openings in the area. This type of response was not what the Task Force was looking for when it undertook the program.

Results of the Loan-Grant Business Development Program,  
1981 to 1983

The Loan-Grant Business Development Program was designed to make the area more attractive to industries being contacted through the letter-writing and media-advertising programs of 1981. The program offered low-interest, long-term loans and grants to profit and non-profit organizations for the purpose of creating jobs and income in Anaconda-Deer Lodge County. It proved to be the main impetus in the enticement of firms into Anaconda-Deer Lodge County and in the creation of new firms in the community. In total, ten for-profit firms were given loans. These firms were small firms employing less than 50 people each, and included Northwest Polymeric, Grizzly Boot Company, Mountain State Cabinet Company, Rocky Mountain Meats, Snapshot Photo II, AFFCO Foundry, Fabricated Systems, Colbert Electric, Pintler Manufacturing Company, and Investments for the Future, Ltd. In addition, grants were awarded to nonprofit organizations to encourage economic development in less direct ways. The Anaconda Chamber of Commerce, for example,

Table 3

The Number of Responses Received by Response Category  
for the Media-Advertising Campaign, 1981.

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Response Category	Number of Responses
1. Not planning to expand into Anaconda-Deer Lodge County.	0
2. Not planning to relocate into Anaconda-Deer Lodge County.	0
3. We are interested, please send more information.	0
4. We will be relocating or expanding into Anaconda-Deer Lodge County.	0
5. Other	5
Total	5

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received grants to promote tourism and for maintenance and upkeep of its office and visitor center, and a grant was given to the Anaconda Cultural Association for concerts and other cultural events.

#### Result of the Development of a Light Industrial Park in 1981-83

A light industrial park was completed in Anaconda-Deer Lodge County in 1983, and it was instrumental in the relocation of the Northwest Polymeric Company into Anaconda-Deer Lodge County. Without the availability of an inexpensive fully-developed site the company might not have been able to relocate into the area. Today only the Pintler Manufacturing Company is located in the park, the firm that took over the operation of the Northwest Polymeric Company after it went bankrupt in 1982.

#### Costs and Revenues Generated by the Industrial Attraction Programs and Projects

Analysis of the records of the Deer Lodge County Industrial Development Corporation, Anaconda Local Development Corporation, and the Anaconda Redevelopment Task Force provided information on the costs of, and revenues produced by, each program and project, except for the media-advertising program of the late 1950s. The cost of each of the programs and projects includes employee salaries, rent, supplies, equipment, and purchased services such as printing, telephone, project design, and construction. The revenue generated by each program or project is defined as the plant investment and annual payroll of a firm that actually expanded, relocated or started up in Anaconda-Deer Lodge County. Table 4 on the following page provides a breakdown of the costs and revenues for each program and project.

Table 4

Costs and Revenues Generated by the Industrial Attraction Programs and Projects Undertaken in Anaconda-Deer Lodge County from 1958 to 1983.

Program or Project	Cost	Revenue
1. Media-Advertising Program of the late 1950s.	Unknown	none
2. Letter-Writing Program, 1964 to 1972.	175,000.00	none
3. Letter-Writing Program, 1981.	10,500.00	none
4. Media-Advertising Program, 1981.	12,500.00 <sup>a</sup>	none
5. Loan-Grant Business Development Program, 1981 to 1983.	3,321,438.00 <sup>b</sup>	2,980,000.00 <sup>c</sup>
6. Light Industrial Park Project,	850,000.00	none <sup>d</sup>
Total	\$4,469,438.00	\$2,980,000.00

<sup>a</sup>This amount includes only the cost of placing the ad in several of the nations largest newspapers.

<sup>b</sup>This amount includes the capital awarded in loans and grants and the administrative costs of the program.

<sup>c</sup>This amount includes the plant investment and annual payroll expended in the first year of each firms existence.

<sup>d</sup>No revenue was generated as a direct result of this project, however, \$760,000 was indirectly generated by Northwest Polymerics who located in the park. This amount is included in the cost and revenue figures for the Loan-Grant Business Development Program which was directly responsible for the Company relocating into Anaconda-Deer Lodge County.

Although the cost of the Media-Advertising Program of the late 1950s was unknown, the revenue it produced was zero. The Letter-Writing Programs of 1964-72 and 1981, and the Media-Advertising program of 1981, cost a total of \$198,000.00, but failed to generate any revenue in terms of annual payroll and plant expenditure. The Loan-Grant Business Development program cost \$3,321,438.00 and produced \$1,005,000.00 in plant expenditures and \$1,975,000.00 in annual payroll during the first year of each firm's existence. This resulted in a net deficit of \$341,348.00. It should be noted that these figures were for the first year's operation of each company and that the continued payroll, possible plant expansion, and eventual repayment of the loans awarded to them should increase the amount of revenue to a point where it exceeds the costs of the program. However, it should be noted that Northwest Polymeric, which was given a \$900,000.00 loan, filed for bankruptcy in 1982, a year after it relocated to Anaconda-Deer Lodge County. By the terms of the bankruptcy court settlement no repayment of the loan was or will be received by the community. It is significant that the company was failing when it requested a loan from the Task Force. Under the Loan-Grant Business Development Program guidelines no money was to be loaned or granted to failing businesses.<sup>6</sup>

The Light Industrial Park project cost \$850,000. The Northwest Polymeric Company located in the park and produced \$460,000.00 in plant expenditures and \$300,000.00 in annual payroll. (These revenues are attributed in Table 4 to the Loan-Grant Business Development Program rather than to the Light Industrial Park in order to avoid counting revenues twice.) It should be noted again that because Northwest



Polymeric's went bankrupt in 1982, no revenue is currently being generated by the park.

Jobs Created by the Industrial Attraction Programs  
and Projects

Analysis determined the number of jobs directly created by each program and project. A "direct job" is defined as one that can be immediately traced to a firm that has relocated, expanded or started-up in the area as a result of one of the programs or projects. Table 5 provides a breakdown of the number of jobs created by the Industrial Attraction Programs and Projects.

No jobs were created by the letter-writing programs conducted from 1964 to 1972, and in 1981, nor by the media-advertising programs. No large established firms relocated or expanded into the area as a result of these programs.

The Loan-Grant Business Development Program did create jobs in the area. However, these jobs were not created by large established firms relocating or expanding into the area. The jobs created through the Loan-Grant Business Development Program were generated by small businesses (employing less than 50 employees) that relocated or started-up in Anaconda-Deer Lodge County. Analysis revealed that the number of direct jobs created by these firms is 129. This is based upon the average number of employees that were employed at any one time in each of the firm's first year of operation. The three firms that did relocate or expand into Anaconda-Deer Lodge County (Grizzly Boot, Northwest Polymeric's, and Mountain States Cabinets) did so mainly as a result of the low-interest, long-term money available through this program. The Light Industrial Park Project created no jobs directly,

Table 5

A Breakdown of the Number of Jobs Directly Created by the Industrial Attraction Programs and Projects from 1958 to 1983.

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Program or Project	Direct Jobs Created
1. Media-Advertising Program of the late 1950s.	0
2. Letter-Writing Program of 1964-72.	0
3. Media-Advertising Program of 1981.	0
4. Letter-Writing Program of 1981.	0
5. Loan-Grant Business Development Program, 1981 to 1983.	129
6. Light Industrial Park Project, 1980 to 1983.	0
Total	129

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but helped induce the Northwest Polymeric Company to move to Anaconda-Deer Lodge County.

#### Summary

Analysis presented above shows that the industrial attraction programs did not attract any large established firms into Anaconda-Deer Lodge County. From 1958 to 1983 the media-advertising programs, the letter-writing programs, the loan-grant program, and the industrial park project failed to inspire any large industrial firm to locate into the area. The Loan-Grant Business Development Program did succeed in creating new businesses and in encouraging a few small businesses to relocate into Anaconda-Deer Lodge County. Together, these businesses generated 129 new jobs during their first years of operation. It is significant, however, that these were small businesses rather than large firms. The cumulative results of the analysis support the hypothesis put forward in Chapter One. The industrial attraction approach, which seeks to attract large established firms, has not been effective in creating jobs and income. Analysis also supports the theme developed in this paper that small business development and business retention may be much more effective strategies for economic development.

The underlying reason for the failure of the programs and projects to create any jobs and income was ineffective planning in the sense that Anaconda-Deer Lodge County has not taken a hard look at its economic development problems and potential solutions. It has continued to approach economic development in an uncoordinated fashion. Specifically, the major problems with their economic development efforts have been as follows:

1. First, Anaconda-Deer Lodge County has always initiated economic development efforts as a result of major economic downturns in the local economy. For example, layoffs at the Anaconda Company Smelter, State Hospitals at Warm Springs and Galen, and more recently, the closure of the Anaconda Company Smelter have all been followed by the launching of economic development programs and projects. The problem with this type of approach is that it is reactionary, in that it fails to address and correct the problems before they lead to great economic hardship. Economic development should be a continuous process based upon an economic development plan that identifies existing and potential problems, sets goals, determines objectives, identifies evaluation criteria, identifies alternative strategies, estimates the cost and benefit of each alternative, and finally, selects the alternative to be used.

2. Second, Anaconda-Deer Lodge County has chosen to undertake economic development programs and projects with little thought to whether or not such programs and projects are appropriate. In other words, it has failed to analyze objectively the local economy and its problems, its potential for economic development, and what programs and projects are affordable and effective. For example, the community has continuously sought to entice large firms into the area without a realistic assessment of its chances for success or review of the past performance of industrial attraction programs.

3. Third, Anaconda-Deer Lodge County has continuously placed the major responsibility for improving its economy on outside help and resources instead of on people and resources within the community. While it is probably true that the community has needed to obtain information and guidance from outside sources, it should not have done so to the extent that these outside sources were expected to single-handedly save the community. The Anaconda Company, certified industrial developers, consultants, and state and federal agencies and resources can be helpful to a certain extent. However, in order to be successful an economic development effort must be the community's. If the community, as a whole, does not support economic development or does not take the responsibility to become involved in it and make it go, then the effort is doomed to fail.

4. Fourth, in the past, Anaconda-Deer Lodge County has failed to bring the key people and/or organizations together to design effectively a truly coordinated economic development strategy. Instead, they have continuously failed to coordinate the different sectors of the community and, in effect, placed the economic future of the area in the hands of too few people, with too few interests in mind. For example, in the past, economic development efforts have been centered in either the private or public sector with little interaction between the two. As a result, there has been confusion and a lack of consensus on what exactly are the problems and solutions to the community's economic problems. In order for an economic development strategy to work a public-private partnership is necessary. From the beginning, relevant groups and individuals from each sector should be involved in efforts to improve the local

economy. Both groups bring different skills and resources into the process. If both groups are involved all along the way in the planning and decision-making process they will, in the end, be more willing to invest their resources in the final product.

Economic development is a very complex subject that demands a tremendous amount of attention and study. It allows a community very little room for errors in judgment or planning. Anaconda-Deer Lodge County's problems, as indicated, have been many, but they can be corrected and avoided in the future. By utilizing an economic development planning process that is comprehensive in nature, Anaconda-Deer Lodge County can avoid many of its past problems and mistakes. It can, thereby, improve its chances for securing economic growth.

The following two chapters of this paper present alternative strategies to economic development in Anaconda-Deer Lodge County, conclusions and recommendations for encouraging economic development, and suggestions regarding which approaches and issues are deserving of further study.

ENDNOTES

<sup>1</sup>Based upon a personal interview between Robert Boyd, former President of the Deer Lodge County Industrial Development Corporation, and the writer, December 15, 1983.

<sup>2</sup>Ibid.

<sup>3</sup>Deer Lodge County Industrial Development Corporation, Minutes of Board of Director's Meeting, December 12, 1968, p. 3.

<sup>4</sup>Statement by Howard Shinrock, the industrial developer, in a phone interview, December 15, 1983.

<sup>5</sup>State of Montana, Governor's Office of Commerce and Small Business Development, Economic Conditions in Montana, Report of the Governor 1980, December 1980, p. 29.

<sup>6</sup>Anaconda Redevelopment Task Force, "Anaconda Redevelopment Task Force Grant/Loan Criteria", p. 1.

## CHAPTER IV

### ALTERNATIVE STRATEGIES TO ECONOMIC DEVELOPMENT IN ANACONDA-DEER LODGE COUNTY

Alternative approaches to economic development are needed in Anaconda-Deer Lodge County to promote its economic growth. In the past, economic development has been centered on efforts to attract large established firms into the area. This approach has been a high-risk, high-cost, one-dimensional approach that places reliance upon outside resources. The alternative approaches of small business development and business retention can provide Anaconda-Deer Lodge County with increased control over its economic growth. These approaches build upon the resources and opportunities available to the area in order to provide jobs and income. This chapter provides a look at both approaches and how each one may be integrated into the struggle to improve the state of the economy in Anaconda-Deer Lodge County.

#### Alternative Strategies

The creation of new small businesses and the expansion of existing small businesses are proving to be important sources of economic growth. During a recent seven year period, nine million new jobs were added to the labor force in the United States.<sup>1</sup> Six million of these jobs were created by small businesses.<sup>2</sup> In Montana, eighty-two percent of all business establishments employ ten or fewer people, and ninety-nine percent employ 100 or fewer.<sup>3</sup> Thirty percent of Montana's total employment is found in businesses with ten or fewer employees, and sixty-nine percent in businesses with 100 or fewer.<sup>4</sup> Similar figures

are characteristic of Anaconda-Deer Lodge County where ninety-two percent of all business establishments employ ten or fewer people.<sup>5</sup>

Small business clearly constitutes a very important part of the economic sector both nationally and locally. Anaconda-Deer Lodge County economic development organizations have had some success in developing and assisting small businesses through research and development efforts and a Loan-Grant Business Development Program. Yet, further steps must be taken in Anaconda-Deer Lodge County to facilitate the continued growth and expansion of small businesses.

The retention of existing employers whether they are large or small should also be an integral part of any economic development effort in Anaconda-Deer Lodge County. The health of its major employers in government, health care, manufacturing, transportation, and tourism-related businesses cannot be taken for granted. These large employers pay some of the highest wages in Anaconda-Deer Lodge County and are the economic "backbone" of the area. Anaconda-Deer Lodge County must avoid trying to revive an industry that careful analysis shows is in decline across the state, region, or nation. However, if it finds that businesses are leaving because of a lack of room to expand or are failing because of a lack of funds for modernization of plants, steps should be taken to provide remedies.

The strategies of small business development and business retention can be achieved through integrated action in two areas. First, the existing environment in which business operates must be "tuned" to be more favorable to the birth of new small firms, to the expansion of small firms, and to the continued operation of other existing firms.<sup>6</sup> Second, additional programs are needed to assist



businesses in improving their management skills, in enlarging their access to important technological and market knowledge, and in benefiting from better quality, less expensive and more accessible financing, factory sites and buildings, labor, and energy. Together, these actions can greatly enhance the birth of new small firms, expansion of small firms, and the retention of other existing firms in Anaconda-Deer Lodge County.

#### "Tuning" the Economic Environment

The overall environment in which business or industry operates must be one that is conducive to economic growth. That is, the environment must be maintained or improved so that it provides stability, sufficient reward for private enterprise, and a well-functioning system within which businesses can generally be expected to operate successfully. Local environments, however, do not always provide these requisites. Over time environmental conditions can change, and much to the detriment of communities like Anaconda-Deer Lodge County, such changes often lead to the inhibition of economic growth.

In order to determine what causes a local environment to lose its competitive advantages an assessment of local conditions is required. Such an assessment should include evaluations of the government, local economy, human resources, natural resources, basic utilities and services, laws and regulations, physical infrastructure, and past development efforts. These evaluations must isolate any real or potential problems or weaknesses that may prevent the local economy from operating at top efficiency.

The data needed to assess the local economic environment can be obtained from local, state, and/or federal sources. The local Chamber of Commerce, city-county planning board, local universities, and local consultants are good sources of information. The Montana Department of Commerce and Department of Labor and Industry are also excellent sources of information related to economic conditions in the area. The United States Census Bureau publishes a Census of Manufacturers, Census of Retail and Wholesale Trade, and a Census of Selected Services every five years. A Survey of Manufacturers is published annually. The Census Bureau also publishes a County Business Patterns Report every five years, which may be especially useful to Anaconda-Deer Lodge County as a source of information.<sup>7</sup>

Survey methodology can provide a local economic development organization with a relatively inexpensive and reliable data-gathering tool. Surveys are versatile in that they can be tailored to specific informational needs. Business surveys could be conducted to determine the problems associated with doing business in Anaconda-Deer Lodge County. They could be used to gather information on the labor force, such as use and knowledge of job training programs, the nature of labor relations, or the availability of support services (e.g., welding, machine work, legal help). Surveys could also be used to determine the reaction of local businesses to economic development efforts and how such efforts might affect a firm's plans to expand or remain in the area.

An assessment of local environmental conditions, including examination of the area's competitive advantages and disadvantages, must be done in order to take the proper steps to "tune" it. The local

development organizations and citizens of Anaconda-Deer Lodge County should begin by conducting this kind of assessment. Once this has been done and problems in the existing environment are corrected work can begin on developing and implementing business assistance programs such as those described below.

Traditionally, the private sector has been entrusted with determining the composition of local industries, the development of local firms, and the number, location and variety of jobs. More recently, however, local governments and quasi-public development organizations are providing programs for assisting businesses in improving their management skills, in enlarging their access to important technological and market knowledge, and in helping them benefit from better quality, less expensive, and more accessible financing, factory sites and buildings, labor, and energy. The goals and objectives of such programs are to provide jobs and income by stimulating the birth of new small firms, expansion of small firms, and retention of other existing firms. Such assistance programs are described below along with analysis of how they may be useful to Anaconda-Deer Lodge County in its efforts to improve its economy. These programs can be provided, in most cases, by the local government or a quasi-public development organization. Where this is not the case, the study will describe the type of organization or organizations that can provide the particular program or programs.

#### Management Assistance Program

It is often said that incompetent management is the root of practically all business failures. In Montana, the situation seems to be no different. A report entitled "Options and Opportunities for

Increasing Investment in the Montana Economy" stated that, "In Montana like anyplace else, what is often viewed as a problem with access to any capital by small business may be a problem with the market or with the management of an enterprise."<sup>8</sup>

Management assistance programs providing technical assistance to business have become a way to secure and maintain competent management in businesses. From general management to specific help in accounting, personnel, marketing, and merchandizing, development agencies can provide a wide variety of assistance to businesses. The following programs are examples of programs that could be utilized by local development organizations in Anaconda-Deer Lodge County in providing management assistance to businesses located in the area.

Business Start-Up Kit. A business start-up kit is a packet of information developed and made available to individuals looking to start a new business in a community. It contains all the necessary forms that a new business must file with the local and state governments. It also contains information on withholding and sales tax, unemployment insurance, registering a business name, and support services available to small businesses.<sup>9</sup>

Business Ombudsman. A business ombudsman is a position designed to help private businesses deal with city codes, inspection requirements, necessary permits, and zoning and taxation questions. This type of service would provide individuals and/or firms with one contact person in the local government who can cut through much red tape.<sup>10</sup>

Business Development Center. A business development center is a place where technical and management assistance is provided by trained

staff to local business people. Such a place could be built or space rented or leased by the local government or local development organization, which could also run and maintain it. Office and production space, labs or warehousing, word and data processing, document reproduction, and secretarial services may be offered at the center. Seminars, workshops, and classes could also be held in this center on subjects relevant to the needs of businesses in the area. These subjects might include business planning, merchandizing, sales, and marketing. Further assistance in packaging loans and obtaining financial incentives offered locally would be offered at the center too.<sup>11</sup>

Visitation Program. A visitation program is an undertaking whereby local development organization officials and other interested individuals visit selected firms in order to develop insight and appreciation for the businesses. It also provides these officials with an opportunity to offer assistance to businesses and to note complaints or problems with the local government or other entities.<sup>12</sup>

#### Technology and Market Assistance Programs

Many businesses, both large and small may not have the capability and/or resources to improve their technological or market knowledge. While formal programs to improve technological and market knowledge have existed for some time in many businesses in the form of research and development departments, business forecasting divisions, and marketing departments, other businesses have had to rely on their own capabilities, intuition, crude marketing techniques, and outdated government forecasts. In order for these firms to remain competitive, to provide new processes for producing old products, and to develop new

products or services, they need similar capabilities and information. The following section describes some of the more innovative and established programs that can be utilized in Anaconda-Deer Lodge County to provide such capabilities and information to local businesses that lack them.

Research and Development Program. In the past, research and development efforts have existed in Anaconda-Deer Lodge County in the form of information gathering, feasibility studies, and the soliciting of developers for projects and/or product manufacturing. These types of efforts resulted in the establishment of the Anaconda Youth Job Corp Camp and Fairmont Hot Springs Resort. Today, these two entities employ 63 and 82 persons respectively. Such research and development efforts could be used and developed into a formal program. This program would consist of providing funds to local entrepreneurs for research and development projects, or for hiring consultants to do feasibility studies to show whether or not a program or project can successfully be accomplished. More specifically, grants or loans could be awarded to an entrepreneur for initial development of an idea.<sup>13</sup> If the initial work has promise, further funds would be awarded to develop the original idea. The entrepreneur(s) could then seek private sector investment and support to bring the developed idea to the market place. Feasibility studies to show whether or not a project or program (considered independently by the local development organization) could successfully be accomplished can be done by in-house staff or by a contracted consultant. Financial feasibility, market analysis, and cost-benefit analysis would be included in such studies. If a program or project proves to be feasible the organization or a developer solicited by the

organization could undertake further development of the program or project. This effort primarily focuses on projects or programs that are not under consideration by the private sector.

Domestic and International Export Assistance Program. Under this program direct technical assistance would be made available to those firms looking to expand their markets to areas outside of the immediate area, region, or country. Such a program would familiarize the local businesses with important domestic and international trade issues and the exporting process. It would also include conferences to identify export opportunities; establishment of a trade-related club or organization to offer business people a place for interchange of ideas and information; and participation of outside firms in local trade shows.<sup>14</sup>

Marketing Assistance Program. In conjunction with the Export Assistance Program the marketing assistance program in which technical assistance and loans and/or grants are provided to local businesses by the Anaconda Local Development Corporation should be continued and expanded to include retail and wholesale trade establishments in the area. Together retail and wholesale trade firms provided for 759 jobs in Anaconda-Deer Lodge County in 1979, which makes it crucial that these sectors be provided marketing assistance, if they so desire.<sup>15</sup>

Business Forecasting Program. The future of business markets has been projected through the use of business forecasting methods, which for the most part have been utilized only by big businesses due to the high cost of such methods. Locally, information has been provided by business forecasting systems operated by the state and federal governments. However, the projections are often inaccurate and

unreliable which can be fatal to local businesses. A local development organization could mitigate this problem by developing and implementing a local business forecasting system. Such a system would be one in which up-to-date and accurate market and related information involving locally produced goods and services would be gathered and analyzed with the resulting forecasts being disseminated to local firms. Information would be utilized from various sources such as the Montana Economic and Forecasting System (run by the University of Montana), the Montana Department of Commerce, and the U.S. Department of Commerce.

#### Financial Assistance Programs

The ability to obtain financing is dependent upon the risk involved in the lending of money for a project or business. A business might be in a poor credit position as the result of being a high risk business or being in a high risk geographical area, and in effect, be ineligible for some institutional loan programs. Other sources of funds must be developed to aid businesses in forming and expanding. This section provides a description and explanation of some of the methods and sources that are applicable for use in Anaconda-Deer Lodge County.

Loan-Grant Business Development Program. In 1981, as the result of a \$3.0 million dollar economic redevelopment fund provided by the Anaconda Minerals Company, a Loan-Grant Business Development Program was created by the Anaconda Redevelopment Task Force. Under this program grants and loans were awarded at the discretion of the financial board of the Task Force to both profit and non-profit organizations. Money was loaned at one percent (1%) less than the SBA Disaster Loan Program. The purpose of the program was job creation. The program resulted in 129 jobs being created from 1981 to 1983.<sup>16</sup> In 1983, the Anaconda



Local Development Corporation took over the administration of the fund and the Loan-Grant Business Development Program. Based upon the jobs created by the program, it should be continued, but with the following modifications. First, one serious problem that occurred in the administration of the program in its initial stages was the loaning of money to a failing business, even though it was specifically stated in the program criteria that money should not be used for failing businesses. A change in the wording from "should not" to "shall not" would make this a definite policy. Second, the program's application procedures, forms, and administrative regulations were sketchy to nonexistent at best. More concrete and formal procedures, forms, and loan administrative regulations should be developed and implemented. Procedures, forms, and administrative regulations used by the SBA or a local bank are good examples of such items. Third, applications should be reviewed by a group of individuals with no apparent interest in the proposal or its outcome. If necessary, a consultant should be hired to prepare an unbiased analysis of the feasibility of a proposal. In the past, such review work has been done by individuals who had potential conflicts of interest and whose optimism was at times exceeded by their reluctance to weigh all the factors objectively. It is better to safeguard against these things occurring, rather than be subject to the problems that can result from them.

Cooperative Lending Practices Program. Research has shown that lending officers in areas that are rural in nature or that are expanding economically are more cautious about their investment decisions due to their lack of experience with new businesses.<sup>17</sup> Anaconda-Deer Lodge County may be such a place because of its rural setting and expanding

small business sector. Therefore, it may be helpful to educate the local financial community to make it aware of practices followed in other communities relating to new business financing. A cooperative lending practices program would entail developing information flows to provide lending institutions with ready access to such information. For example, a lender dealing with a new company whose product is unfamiliar to him could contact another lender with expertise in that field.<sup>18</sup>

U.S. Small Business Administration Loan Programs. The U.S. Small Business Administration (SBA) 7 (a) program provides for loans, loan guarantees, and immediate participation loans to small firms to enable them to build, expand, or convert facilities; buy buildings, equipment, and materials; or obtain working capital.<sup>19</sup> It also provides financing arrangements through its 503 Certified Development Program (CDC). This program offers an area the opportunity to set up a private non-profit or for profit corporation to provide long-term fixed assets financing for small and medium-sized businesses.<sup>20</sup> The advantage is that the SBA guarantee financing provided by the CDC and the interest rate charged by the CDC is based upon U.S. obligations of similar maturities. Anaconda-Deer Lodge County financial institutions have participated in the 7(a) program and should continue using it. Efforts are not being undertaken by the Anaconda Local Development Corporation to utilize the 503 program. These efforts should be continued by the Corporation.

Montana Economic Development Board Coal Tax Loan Program. The Coal Tax Loan Programs were created as a result of Initiative 95 (which was an initiative adopted in November 1980 by the voters of the state that recommended use of the Coal Tax Trust Fund for economic development

purposes). The 1983 Montana Legislature passed a number of bills that designated the types of programs for which the money may be used and how it is to be administered. It also created the Montana Economic Development Board (MEDB) to develop the rules and regulations for these programs and to administer the program.

Through the newly established Economic Development Board the state will provide indirect financing (sometime in the Spring of 1984) for three major activities: basic economic activity, import substitution activity, and retail and wholesale distribution of Montana-made goods.<sup>21</sup> Basic economic activity is defined by the MEDB as manufacturing, agricultural and mineral processing, transportation, and tourism. Import substitution activity is defined as the in-state production of a good or service 50% of which will be purchased by in-state users in place of like or similar goods or services which previously would have been purchased from out-of-state sources. The retail and wholesale distribution of Montana goods is defined as any retail or wholesale distribution activity conducted in the state for which the sale of goods produced in Montana companies comprises 50 percent or more of gross revenues. The six programs that would be most useful in providing financial assistance in Anaconda-Deer Lodge County are the Linked Deposit Program, Purchase of Federally Guaranteed Loans Program, Guaranteed Loan Program, Business Loans Participation Program, Montana Capital Companies Program, and the Pooled Industrial Revenue Bond Program.<sup>22</sup>

The Linked Deposit Program is a program whereby the MEDB will place a long-term deposit with an approved financial institution on the condition that the lender use the proceeds of the deposit to finance a

corresponding fixed-rate loan to a specific borrower that is eligible for MEDB investments. The deposit must be secured by state collateral and pledging requirements. The rate of interest charged to the borrower on the supported loan will be "linked" to the return to the MEDB on its deposit. This program removes the market risk to the lender in making a fixed-rate loan. Funds from the deposits may be used by financial institutions to make loans for working capital, interim construction, inventory, site development, acquisition of machinery, equipment and buildings, or other related purposes.<sup>23</sup>

Under the Purchase of Federally Guaranteed Loans Program lenders that have secured a federal guarantee (such as by the SBA) on a fixed-rate loan to a business that is eligible for MEDB investment may sell the federally guaranteed portion of the loan to the MEDB at a pre-established rate. The purpose of this program is to establish an active secondary market for fixed-rate federally guaranteed loans in Montana; to allow approved financial institutions the opportunity to provide their commercial customers fixed-rate financing at a lower rate than was previously possible; and to increase local lending capacities when loan demand is high. Eligible activities include those allowable under an SBA guarantee.<sup>24</sup>

The Guaranteed Loan Program allows lenders to request an MEDB guarantee of up to 80% of a loan. The guarantee will be 100% funded by short-term deposits in Montana banks. In general, the program may be used to fund the purchase of land, buildings, equipment, machinery, inventory, building expansion or repair, and working capital.<sup>25</sup>

The Business Loans Participation Program is designed to be used to finance conventional or SBA 503 loans, and in doing so allows

approved Montana financial institutions the opportunity to sell up to 80% of an eligible loan to the MEDB. Funds are targeted to long-term fixed-rate loans that have the potential to positively benefit economic development within the state. The program may be used to fund the purchase of lands, buildings, equipment machinery, inventory, building expansion or repair, or working capital.<sup>26</sup>

The Montana Capital Companies Program allows for the creation of "Montana Capital Companies" (which are private investment companies) in order to create organized pools of equity or venture capital that could be invested in Montana businesses. Authorized investors in qualified Montana Capital Companies may receive 25 percent credit on their investments (up to \$25,000) off their personal income tax liability. The Capital Companies must comply with the state law that limits their investments to small businesses engaged in activities previously described in the opening paragraph of this section.<sup>27</sup>

The Pooled Industrial Revenue Bond Program allows for the issuance of pooled industrial revenue tax exempt or taxable bonds with individual loans limited to \$80,000 and all bonds limited to a total of \$25 million. The program includes a loan insurance program for projects financed under the act or the existing city and county IRB law. The insurance is for the loan not the bonds. All loans must be originated by a bank or other financial institution.<sup>28</sup>

Industrial Revenue Bonds. Industrial Revenue Bonds (IRBs) present another tool that can be used by the Anaconda-Deer Lodge County government to finance an economic development project. Industrial Revenue Bonds allow the governing body to purchase the property (i.e., land, any building or other improvement and all real and personal

properties) necessary for an economic development project, finance the sale of the purchase with the issuance of Industrial Revenue Bonds and retire these bonds with income derived from the lease or sale of the development project. The IRBs would not be a general obligation of the city-county. They may only be secured against the property revenues of the economic development project itself, and in the event of default, the investor may only seek recourse against the economic development project and its revenue. In conclusion, the issuance of IRBs is a method by which the city-county may promote the industrial development of the area without unduly burdening either the taxpayer or its credit limit.<sup>29</sup>

Tax Increment Financing. Tax Increment Financing (TIF) is another method that the local government can use to finance public improvements for a development project that is in an area covered by an Urban Renewal Plan (a status which Anaconda-Deer Lodge County has at this time). In the designated area TIF uses the tax increment (the projected increase in tax revenues, generated in the designated area as a result of public and private investment that is above the tax revenues generated in the area prior to the effective date of the TIF provision) to finance the necessary public improvements, either by using the annual increment to pay for the improvements or by pledging the increment to repay bonds which are used to finance the improvements.<sup>30</sup> For example, the first application of TIF in Montana was in Billings where tax increments were used to retire debt on bonds sold to provide adequate public parking for that city's downtown. Because of their ability to provide such improvements through the use of TIF there is a new twenty-three story Hotel and Convention Center and office and bank

building in the area. Together these private improvements have generated more than enough revenue in increased taxes to pay for the improvements.

Economic Development Tax Levy. Another source of financing is the one-mill levy authorized by state law for purposes of economic development within any Montana city, county or town, if approved by the local voters. These funds may be used for developing industrial parks, buildings to house manufacturing operations, feasibility studies, and other activities associated with economic development.<sup>31</sup>

Subsidies and/or Grants. Subsidies and/or grants from public and private sources have been used for years to encourage private sector investment. Subsidies and grants may include interest subsidies, abatements, tax credits, and outright grants for such things as land clearance, infrastructure development and building construction. Subsidies and grants should be used sparingly and wisely, because the money is never directly recaptured by the entity awarding it. A thorough cost-benefit analysis should be done in each case to ascertain whether or not the benefits outweigh the cost of the subsidy or grant.

An interest subsidy is a commonly used device in many places. It was recently utilized in Anaconda-Deer Lodge County as an incentive for local businesses to rehabilitate their buildings. The Downtown Loan Project, as it is called, will subsidize the interest rate down to 6% on a maximum loan of \$10,000 obtained from two local banks for commercial building rehabilitation. Additional monies are made available at a reduced rate (2% below the normal lending rate by the participating banks).<sup>32</sup> Eligible activities are limited to building improvements including: elimination of code deficiencies, energy conservation,

improvement of the exterior facade (walls and roof), and removal of architectural barriers to provide access for the handicapped.<sup>33</sup> This same concept should be adapted for use with loans made for business start-ups, expansions, and modernizations in Anaconda-Deer Lodge County.

Tax abatements and tax credits are two other forms of subsidization that can be utilized by the local government and private sector. A tax abatement is a tax reduction, generally on a specific item and over a specific period of time. Tax credits are available for such things as rehabilitating historic and nonhistoric buildings (that are of a certain age) and for creating jobs for different categories of unemployed persons.

Anaconda-Deer Lodge County could take advantage of state legislation that allows a local governing body to grant property tax abatements to designated areas within the corporate limits of a city.<sup>34</sup> The Montana Economic Development Land Act provides tax incentives and penalties curb "improper development patterns" in residential, commercial, and industrially zoned areas. Montana Code Annotated 15-24-1402 gives new and expanding manufacturing industry tax breaks:

In the first 5 years after a construction permit is issued, improvements to real property that represent new manufacturing industry construction or expansion of an existing manufacturing industry shall be taxed at 5% of their taxable value. Each year thereafter, the percentage shall be increased by equal percentages until the full taxable value is attained in the tenth year. In subsequent years, the property shall be taxed at 100% of its taxable value.

The federal Revenue Tax Act of 1978 gives employers tax credits for hiring people who usually have a hard time finding a job. The tax credit amounts to "50 percent of the first \$6,000 in wages paid during the first year of employment (maximum credit of \$3,000 per employee) and



25 percent of the first \$6,000 in wages paid during the second year of employment (maximum credit of \$1,500 per employee)."<sup>35</sup>

Outright grants are given by many development agencies of state and federal governments and by private foundations for the purpose of economic development. The two grant programs that have the most potential for utilization by Anaconda-Deer Lodge County are the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grants (CDBG) and Urban Development Action Grants (UDAG).

The CDBG program was established with the enactment of the federal Housing and Community Development Act of 1974. It was originally administered in Montana by HUD until 1983 when the State of Montana took over the program's administration. Eligible activities are still limited to those authorized by Congress. An applicant may submit a proposal in three basic categories: (1) economic development (2) housing, and (3) public facilities.<sup>36</sup> The program does place heavy emphasis on projects benefiting low and moderate income persons, and minorities.

The UDAG program was instituted in 1977 under the Carter Administration. UDAGs are made available through HUD to cities who have been classified by HUD as having (1) demonstrated that they have provided housing for low- and moderate-income persons, and equal opportunity in housing and employment for these persons and for minorities; and (2) meet HUD criteria that indicates that the city is suffering from physical and economic distress (Anaconda is so classified).<sup>37</sup> Eligible activities may include, but are not limited to, land clearance; site improvements; provision of infrastructure rehabilitation; construction of public, commercial, industrial, and

residential structures; and the provision of financial participation in the form of equity funding, loan guarantees, and lease guarantees.<sup>38</sup> In the grant selection process, priority is given to those cities that will be able to secure a return on its investments. The UDAG is also governed by a "but for" clause. That is, "but for" the monies provided by the UDAG a project would not be undertaken. Furthermore, applicants must show firm commitments from the private sector to undertake a project.

#### Factory Site and Building Development Programs

When an area discovers that it has a lack of suitable sites for the building of a new factory or lack of existing buildings for rent, lease or sale it needs to take steps to alleviate these problems. It can do so by providing industrially zoned land, a fully developed industrial park, or construction of new buildings or rehabilitation of existing buildings for rent, lease or sale. Anaconda-Deer Lodge County already has industrially zoned land, an industrial park, and new and existing buildings for rent, lease or sale, and a program that provides subsidized financing for rehabilitation of commercial structures in the city. While the demand for sites in the industrial park or elsewhere has not been as expected, there is, however, a good demand for commercial retail space in the downtown area. However, the city has several buildings owned by absentee landlords and others who have no interest in rehabilitating them for reuse. These buildings could be purchased by the local government or economic development organization which could then rehabilitate them for rent, lease or sale to interested entrepreneurs. If the local government or other entity doesn't want to

purchase and rehabilitate these buildings, it could work to find local or out-of-town developers who wanted to do so.

#### Improving Labor Productivity and Labor-Management Relations

Improving the productivity of the labor force and the relationship between labor and management should be a very important goal of the economic development effort in Anaconda-Deer Lodge County. Increased productivity in the labor force means a more competitive private sector and a less costly public sector. Improved relations between labor and management is crucial because the two have a reputation of being confrontive rather than cooperative. The following section provides a look at the programs that can be utilized to improve the productivity of the labor force and the relations between labor and management in Anaconda-Deer Lodge County.

Productivity Improvement Programs. It is essential in an area like Anaconda-Deer Lodge County that the unemployed be trained or retrained for the jobs that are created by businesses starting-up, and/or expanding in the area. Otherwise, the jobs will be filled by immigrants, and the community will experience little decline in unemployment. While formal education in post-secondary and vo-tech institutions provide the basic skills, additional programs are needed to teach marketable skills and to place participants in jobs. Such alternative programs are on-the-job training (OJT), customized training, classroom training, and work experience.

OJT can be used for retraining unemployed and for providing skills to the persistently unemployed. OJT programs usually reimburse the employer for the extraordinary cost of training workers over and above the normal cost for regular employees.<sup>30</sup> The payment varies with

the size of the employer and the complexity of the training, but usually it is around half of the employees wages for a specific period of time. OJT has been designed and utilized to provide an incentive to an employer to hire the disadvantaged worker.

Customized training is designed to meet the needs of a particular business or industry. Similar to OJT it differs in the respect that it can combine hands-on-training and classroom instruction or any particular training method to suit the individual business or industry.<sup>40</sup> It is designed to provide more flexibility in providing training assistance.

Classroom training is basically any training that is done in an institutional setting in order to provide technical skills and information required to perform a specific job.<sup>41</sup> Patterned after formal education models, this method offers needed education not provided in the community or available to all people in a community.

Work experience is a program where the worker obtains experience in a business on a temporary basis.<sup>42</sup> It is designed to give a person who has not worked before or has been out of work for some time a foothold in the job market.

The Montana Job Service Office in Anaconda-Deer Lodge County offers the above types of programs, plus basic education classes, Job Club, and World of Work.<sup>43</sup> The basic education program provides short-term training in basic skills such as math, reading, social studies, and English. The Job Club program is designed to provide assistance to people looking for work by improving their job hunting and interviewing skills. World of Work is a program to inform participants about

training and job opportunities through the use of counseling, skill and interest assessment, job testing and development, and job referral.

Labor-Management Relations Improvement Program. Labor-Management relations is a sensitive area often left to labor and management to deal with on their own. However, in Anaconda-Deer Lodge County where there is and has been a chronic battle between labor and management, labor-management committees should be considered.<sup>44</sup> Not designed to take the place of regular labor-management negotiations, these committees try to get labor and management together for the purpose of decreasing strikes, increasing worker productivity, and improving the labor-management image of the area.

#### Energy Assistance Programs

All industries in Anaconda-Deer Lodge County are dependent upon inexpensive, readily accessible sources of energy. Without such types of energy, economic growth in the area would be virtually impossible to achieve. However, energy in the forms of coal, oil, natural gas, and hydropower are decreasing and are becoming harder to find and more expensive to utilize. The cost of energy to Anaconda-Deer Lodge County businesses is enormous and is slowly draining capital from the community. In a survey of nine commercial establishments in 1982, it was found that the total cost for electrical and natural gas consumption in their buildings was \$68,000.00<sup>45</sup> Projections showed that by 1990 the cost for the same amount of energy, at projected price increases, would be \$235,055.00, nearly a three-fold increase.<sup>46</sup> Thus, energy costs are significant enough to warrant efforts to alleviate or lessen the amount of income they demand from local businesses.

An Energy Savings Program should be developed to assist local businesses in cutting energy costs through conservation and the use of renewable energy resources such as solar, wind, and biomass (e.g., wood, garbage, and grains). An individual could be hired, a firm contracted, or a team of instructors and graduate students in engineering and architecture from local universities obtained to perform energy audits and technical analysis on businesses' buildings.<sup>47</sup> They could then present a written report outlining energy saving steps or retrofit measures that management could take to reduce energy costs in their buildings. A no-interest or low-interest loan or grant program specifically for energy conservation and use of renewable sources of energy could be started in local banking institutions or as part of a local development organization's efforts.

#### Summary

The stimulation of the birth of small businesses, expansion of existing firms, and retention of existing firms can conceivably be enhanced by the fine tuning of the existing economic environment and by providing business assistance programs. These strategies have been effective in creating jobs and income in Anaconda-Deer Lodge County and should be continued and expanded. In Anaconda-Deer Lodge County the continued effectiveness of these strategies is dependent upon the availability of current and future resources, the capability and capacity of the local development organizations and their staffs, and the attitude and participation of the private and public sectors. Currently within Anaconda-Deer Lodge County, the local government and Local Development Corporation have the resources and the capability and capacity to continue existing programs and to institute new program

activities. Also, the attitude and participation of the private and public sectors is conducive to the continuation and expansion of existing programs. Therefore, the following programs are recommended, in order of importance, for implementation in Anaconda-Deer Lodge County:

1. Commission a comprehensive study of Anaconda-Deer Lodge County's economic environment. In the past, economic development efforts have been pursued with little or no assessment of the local economic environment or evaluation of alternative strategies. Nor has the community taken full responsibility for its economic problems or coordinated all the relevant actors and organizations into an organized economic development effort. The result has been a continuous failure of the community's economic development programs and projects to create jobs and income. A comprehensive study should be done to identify problems, set goals, determine objectives, identify evaluation criteria, identify alternative strategies, estimate the cost of each alternative, estimate the effectiveness of each alternative, and finally, select the strategy to be used. The community should take responsibility for the work and it should involve all relevant actors in the community. Such a study may show that further economic development efforts may not be justified, but it must be done in order that people can prepare for the future in a realistic manner.

2. Improving labor productivity and labor-management relations. A couple of well known facts in Anaconda-Deer Lodge County are its high unemployment level and poor labor-management relationship. The hundreds of unemployed need to work in order to survive in today's world. Retraining and/or relocation programs should be undertaken to provide work for the unemployed in the area. Labor-management relations have never been good in the community throughout its history. Better cooperation is needed to provide for a consistent working environment and an improved labor-management image to business interests inside and outside of the community. A labor-management committee should be set-up to discuss and implement ways of improving labor conditions and relations in the community.

3. Management Assistance Programs. Of the many management assistance programs reviewed above, the Business Development Center and the Visitation Program should be pursued with vigor by the community. Currently, many small businesses are forming in Anaconda-Deer Lodge County. Many of them are in need of technical assistance in merchandizing, marketing, and accounting, office space, secretarial services, business education and warehouse space. However, they cannot afford or do not possess these skills and resources as a beginning business. A Business Development Center can provide such services to beginning and expanding small businesses in the area. There are other needs and requirements of new and existing firms in the area that are not really known or are

not clear to the local government or development related organizations. A Visitation Program should be instituted by which local development officials can meet with local businesses to discuss problems and needs and to become acquainted with the businesses. Such visits can be the impetus needed to start efforts to address the problems and needs of local businesses.

4. Financial Assistance Programs. Long-term, low-interest money and grants have proven to be crucial elements in the establishment of new businesses and in the retention of existing businesses in Anaconda-Deer Lodge County. In order to continue fostering the establishment and retention of businesses in the community there must be affordable capital and in some cases, investment by the public sector in the form of grants and infrastructure development. The Loan-Grant Development Program should be continued, but with the modifications suggested earlier in this chapter. This program has been the main reason for a number of new business start-ups in the community. The Downtown Loan Project should also be continued, but expanded to the entire county. It has proven to be of great assistance to local business people in the rehabilitation of their buildings. The SBA and Montana Economic Development Board Coal Tax Loan Program should be reviewed and pursued, when needed, as alternative sources of financing. Grants from state, federal and private sources should be pursued and used to leverage matching funds from private developers. A full-time person could be hired to research and write grants for the community. Tax increment financing, industrial revenue bonds, property tax credits, job credits, and the economic development tax levy allowed by state law should be examined and utilized in light of the need for additional sources of financing for a program and/or project.

5. Energy Assistance Program. Each year, thousands of dollars leave the community in the forms of energy costs. Local businesses cannot continue to use a large portion of their profits to pay energy bills, when it is needed to pay for increases in inventories or to buy new equipment. Energy costs can be reduced through an Energy Assistance Program, a program in which technical assistance and capital are provided to local businesses for determining energy conservation potential and for undertaking energy conservation measures.

6. Factory Site and Building Development Program. At the present time, Anaconda-Deer Lodge County has both a fully developed Light Industrial Park and a Heavy Industrial Park. It also has two large, undeveloped commercial buildings (the Davidson and Durston) and several undeveloped lots in downtown Anaconda. A marketing program should be developed to promote the sale of lots in both industrial parks. A development program should be started to rehabilitate the Durston and Davidson Buildings and to develop the empty lots in downtown Anaconda. The opportunities available here are substantial, but have never been fully explored, utilized, or marketed. If done properly, the benefits of such efforts could surely far outweigh the initial costs of their development.



ENDNOTES

<sup>1</sup> State of Montana Department of Commerce, Economic Development Bureau, Final Report of the Statewide Conference on Small Business, January 1983, p. 12.

<sup>2</sup> Ibid.

<sup>3</sup> Counsel for Community Development Inc., Options and Opportunities for Increasing Investment in the Montana Economy, Montana Department of Commerce (Helena, Montana: November, 1982), p. 3.

<sup>4</sup> Ibid.

<sup>5</sup> Anaconda Chamber of Commerce, Anaconda Business Inventory, 1980-83, p. 1.

<sup>6</sup> Albert Shapero, Entrepreneurship: Key to Self-Renewing Economies, National Council for Urban Economic Development Commentary, April 1981, p. 22.

<sup>7</sup> National Council for Urban Economic Development, An Introduction to the Economic Development Process, U.S. Department of Commerce, Economic Development Administration (Washington D.C.: July, 1980), p. 19.

<sup>8</sup> Counsel for Community Development, Inc., Options and Opportunities for Increasing Investment in the Montana Economy, p. 3

<sup>9</sup> "Colorado Prepares for High Tech", Plant Sites and Parks, (November-December, 1982), pp. 71-72.

<sup>10</sup> National Council for Urban Economic Development, An Introduction to the Economic Development Process, pp. 71-72.

<sup>11</sup> Ibid., p. 71.

<sup>12</sup> Steve Buttress, Existing Industry: Expanding on What You Already Have, Great Falls Economic Development Corporation (Great Falls, Montana: 1983), p. 3.

<sup>13</sup> "Hawaii's Economic Forecast is Sunny", Plant Sites and Parks, (May-June, 1983), p. 28.

<sup>14</sup> National Council for Urban Economic Development, Planning for Economic Development, Selected Topics, U.S. Department of Commerce, Economic Development Administration, Economic Research Division, July 1981, pp. 133-176.

<sup>15</sup> Anaconda-Deer Lodge County, EDA Title IX Economic Development Plan, Anaconda-Deer Lodge County, Montana, July 15, 1981, p. 10.

<sup>16</sup>Chapter III, p. 31.

<sup>17</sup>State of Montana, Governor's Office of Commerce and Small Business Development, Economic Conditions in Montana, Report of the Governor 1980, December 1980, p. 34.

<sup>18</sup>Albert Shapero, "Entrepreneurship: Key to Self-Renewing Economies, p. 23.

<sup>19</sup>U.S. Department of Commerce, Small Business Administration, Your Business and the SBA, August, 1982.

<sup>20</sup>Ibid.

<sup>21</sup>State of Montana, Department of Commerce, "Build Montana" Tools for Economic Development, February, 1984.

<sup>22</sup>Ibid.      <sup>23</sup>Ibid.      <sup>24</sup>Ibid.      <sup>25</sup>Ibid.      <sup>26</sup>Ibid.

<sup>27</sup>Ibid.      <sup>28</sup>Ibid.

<sup>29</sup>Montana Code Annotated, 90-5-103, 1983.

<sup>30</sup>Ibid., 7-15-4206.      <sup>31</sup>Ibid., 90-5-112.

<sup>32</sup>Anaconda-Deer Lodge County Community Development Agency, Downtown Loan Project, 1983, p. 3.

<sup>33</sup>Ibid.

<sup>34</sup>Montana Code Annotated, 15-24-1301 to 15-24-1402, 1983.

<sup>35</sup>U.S. Department of Labor, Employment and Training Administration, Hire More Workers, Pay Less Taxes!, 1983.

<sup>36</sup>State of Montana, Department of Commerce, Business Development Tools: Community Development, June 1983.

<sup>37</sup>U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Urban Development Action Grant Program, First Annual Report, Washington D.C., U.S. Government Printing Office, 1979), pp. 5-9.

<sup>38</sup>Ibid.

<sup>39</sup>National Council for Urban Economic Development, Coordinated Urban Economic Development: A Case Study Analysis, (Washington, D.C., March, 1978), p. 137.

<sup>40</sup>Ibid., pp. 139-140.      <sup>41</sup>Ibid., pp. 137.      <sup>42</sup>Ibid., p. 138.

<sup>43</sup>State of Montana, Job Service of Montana, Participant Handbook, September, 1983.

<sup>44</sup> National Council for Urban Economic Development, Coordinated Urban Economic Development: A Case Study Analysis, p. 139.

<sup>45</sup> Anaconda-Deer Lodge County, Anaconda-Deer Lodge County Energy Profile, 1982, pp. 11-12.

<sup>46</sup> Ibid.

<sup>47</sup> "Oklahoma Unemployment Remains Low", Plant Sites and Parks, (March-April, 1983), pp. 39-40.

## CHAPTER V

### CONCLUSIONS AND RECOMMENDATIONS

The main intent of this study was to determine whether or not the industrial attraction strategy used in Anaconda-Deer Lodge County has been effective in creating jobs and increasing income in the area. In order to satisfactorily conduct this study it was necessary to:

1. determine the type of programs used in Anaconda-Deer Lodge County to attract large established industries into the area; and
2. determine the number of large established firms attracted to the area as a result of these programs and the number of jobs created and income generated by these firms.

The secondary purpose of the study was to examine and describe alternative strategies to industrial attraction and how these strategies could be applied in Anaconda-Deer Lodge County. This entailed a review of related literature and programs used elsewhere in the state and nation.

The scope of the case study was limited to an examination of the industrial attraction program utilized in Anaconda-Deer Lodge County, Montana, from 1958 to 1983. The findings of this study apply principally to this particular area:

1. The Media-Advertising campaign of the late 1950s failed to attract any large established firms into the area.
2. The Letter-Writing campaigns of 1964-72 and 1981 failed to attract any large established firms into the area.
3. The Advertising Program of 1981 failed to attract any large established firms into the area.
4. The Loan-Grant Business Development Program from 1981-83 failed to attract any large established firms into the area, but did attract three small firms employing less than 50 persons each. It

also resulted in the start-up of seven other small businesses employing less than 50 persons each. Together these 10 firms employed a total of 129 persons.

5. The Light Industrial Park Project failed to attract any large established firms into the area. However, it did play a part in the attraction of one small firm that employed less than 50 persons.

6. Research and development efforts by the Deer Lodge County Industrial Development Corporation from 1964-72 resulted in the creation of 154 jobs.

### Conclusions

On the basis of the data presented herein, the following conclusions appear to be warranted:

1. The industrial attraction strategy employed in Anaconda-Deer Lodge County from 1958-83, has not been effective in attracting large established firms into the area and has failed to create any additional jobs and income as a result thereof.

2. The jobs and income that were created from 1958-83 as a result of the efforts of the local development organizations were from research and development projects and a long-term, low-interest loan program undertaken by them. These jobs were created by small- and medium-sized firms not large established firms.

3. In the past, industrial attraction efforts have consisted of direct-mail campaigns and advertising programs. These concepts, in themselves, are good ways to make outsiders aware of the opportunities available in the area. However, they were utilized in Anaconda-Deer Lodge County with little regard to a firm's compatibility with the area, its natural resources, and people.

4. A comprehensive economic development plan--The EDA Title IX Economic Redevelopment Plan, Anaconda-Deer Lodge County, Montana--was developed in 1981. It was never fully implemented due to a lack of funding.

### Recommendations

The following recommendations related to economic development in Anaconda-Deer Lodge County are suggested:

1. A case-study analysis should be done on different types of businesses in Anaconda-Deer Lodge County to determine why and how they were started and how they have made it to where they are today. This type of study could be helpful to people contemplating starting a business or who are already operating one, and for local

development organizations which are designing business assistance programs. It also might reveal that there is little potential for economic growth in the area.

2. While there is some evidence that there is a lack of available debt capital for certain types of businesses in Anaconda-Deer Lodge County, there has been very little on-going research on capital issues in the area. Such research is needed in order to examine the demand for capital by firms and its availability from the different financial institutions in the area.

3. An economic development plan, similar to the EDA Title IX Economic Redevelopment Plan written in 1981, should be developed and implemented by the community. Evidence presented in Chapter III indicated that ineffective planning led to the continuous failure of the selected programs and projects to create jobs and income. In order to ensure that past mistakes are not repeated, proper and realistic program planning needs to be utilized by Anaconda-Deer Lodge County. Proper and realistic program planning includes the identification of the problems, setting of goals, determination of objectives, identification of evaluation criteria, identification of alternative proposals, estimation of the cost of each alternative, estimation of the effectiveness of each alternative, and finally, the selection of the alternative(s) to be used.

4. A permanent Economic Development Council should be established in the community to bring relevant persons from the public and private sectors together to design and implement a truly coordinated economic development plan. This group should include representatives from the city-county commission, organized labor, the Chamber of Commerce, Anaconda Local Development Corporation, the churches, schools, communications media, banks, savings and loan institutions, downtown merchants, lawyers, doctors, and senior citizen groups. The right balance of representatives will be difficult to achieve. However, an attempt should be made to ensure an equitable balance between the two sectors on the council.

5. The Council should be given the ultimate responsibility and decision-making authority to develop and implement the economic development plan. This charge, however, should not be construed as being entirely the Council's to fulfill. Public participation in the form of hearings should be undertaken to solicit input from the entire community. Based upon this input and other relevant information, the Council should then develop policies and programs that address the needs and problems of the local economy. The Council should be appointed by the city-county commission and funded from a general tax levy for economic development. It should be chaired by a city-county commissioner as a means of holding the Council accountable to the public. Staff should be provided to the Council for its work. If needed, consultants should be hired to assist in the development effort. Additional assistance should be provided by staff from the Anaconda-Deer Lodge County Government, Anaconda Local Development Corporation, and Anaconda Chamber of Commerce. Each of the above agencies would retain full

responsibility for its own organizational work plan, but would agree to work within the structure of the Council for Economic Development.

The above suggestions represent a guide to the economic development process for Anaconda-Deer Lodge County. They, in themselves, are not the total answer to Anaconda-Deer Lodge County's economic problems or an agenda to be followed item by item. Economic development is an ongoing process, therefore, the policies and programs selected by Anaconda-Deer Lodge County should be examined and evaluated yearly, if not quarterly, to determine their effectiveness and appropriateness in improving the area's economic well-being. Such an examination should be an honest and realistic appraisal designed to ensure that economic development activities are being carried out as intended and/or are effective methods for helping the area meet its development goals.

The road to economic growth for Anaconda-Deer Lodge County or for any community is not an easy one, nor is it short or well-paved. There is no guarantee for success or sureness of failure. It is a complex process that demands an effort based upon continuous research and development, evaluation and modification, and hard work and sacrifice. It is certainly a challenge, but by meeting it Anaconda-Deer Lodge County can improve its chances for economic recovery and growth.

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**APPENDICES**

Appendix A  
Letter-Writing Campaign  
Talley Sheet

LETTER WRITING CAMPAIGN

Firm ID	Date Letter was Sent	Date Response was Received	Firm Name and Address	Response		Relocated or Expanded						
				1.	4.	2.	5.	3.	6.	Yes	No	

Appendix B  
Media-Advertising Campaign  
Tally Sheet

Firm ID	Response	ADVERTISING CAMPAIGN Firm Name and Address	Relocated or Expanded	
	1. 4. 2. 5. 3. 6.		Yes	No