

Approved February 20, 1991  
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at  
Chairperson

8:00 a.m./~~p.m.~~ on February 19, 1991 in room 123-S of the Capitol.

All members were present except:

Senator Janice McClure (excused)  
Senator Wint Winter

Committee staff present:

Bill Edds, Revisor of Statutes' Office  
Lynne Holt, Legislative Research Department  
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Robert Hitchner, Kansas' Representative to Japan  
Dr. Charles Krider, University of Kansas

Senator Dave Kerr, Chairman, called the meeting to order and introduced Robert Hitchner.

Mr. Hitchner provided the Committee with "A Brief on the Office Structure and Recent Activities and Directions" (Attachment 1) as well as Japanese brochures for the cities of Emporia and Wichita and the Department of Commerce (all on file in the Kansas Legislative Research Department). Mr. Hitchner explained the contractual relationship between his company and the State of Kansas. He discussed the three main focuses of the office: investment attraction, export assistance and relationship building. Mr. Hitchner talked about the marketing program focusing on Kansas as a prime location for pharmaceuticals in connection with the Higuchi Center at KU. He gave a summary of key activities and developments during the past month. Mr. Hitchner said he sees his firm's role as a catalyst for Kansas activities in Japan. He noted that Japanese entities are willing to talk about investment in Kansas especially when it is in connection with existing facilities, such as the Higuchi Center. Chairman Kerr asked Mr. Hitchner what he sees as the greatest untapped potential. Mr. Hitchner said that in the area of attracting Japanese companies to Kansas, resources have limited his firm's efforts to one big activity a year. He feels more could be done, especially with efforts connected to value-added industries and composite materials industries. He said that on the export support side of efforts, the greatest success has been in working with companies that have already established some level of interest in Japan for their product. He feels that there is a need to develop a mechanism for finding those companies that have a proven level of potential in Japan. In response to Senator Petty's question, Mr. Hitchner said his company does not represent any states other than Kansas. Senator Feleciano asked about the relationship of Mr. Hitchner's firm and the Department of Commerce. Mr. Hitchner said that each year they have had an annual contract with the agency. Senator Salisbury asked about the need to update the Japanese brochure for the Department of Commerce. Mr. Hitchner said that the statistics contained in the brochure are from 1985 and need to be brought up to date. Answering a question from Senator Moran, Mr. Hitchner said that he has had no direct contact from the Board of Agriculture about representing them.

SB 33 - Establishing Kansas skills program

Dr. Charles Krider described the background and purpose of SB 33. He said the intent is to facilitate the introduction of new programs in community colleges and area vocational-technical schools. Dr. Krider stated that as the state's economy is diversified, there is a need for changed skill training. He said that SB 33 is an innovative approach to the issue of how a community college or vo-tech school can handle the costs incurred by a new program. He said that the bill provides a market test in that a new program

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,  
room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~<sup>XXX</sup> on February 19, 1991

cannot start unless there is an industry willing to provide matching funds for it. Dr. Krider advised that his research indicated that the two biggest problems are the new equipment needed and the development of staff in starting new programs. Answering questions from Chairman Kerr, Dr. Krider said the obstacles of new equipment and major retraining of staff or hiring of additional staff needs are particularly acute when the programs are technology based. He added that new programs can also require redesigning facilities. Senator Moran asked about whether or not there are "educational entrepreneurs" in the system. Dr. Krider said he found more than he had expected, especially in community colleges. He noted that the real motivation, especially for community colleges, is the desire to serve their communities and not so much an interest in more credit hour reimbursement. He pointed out that these funds are seed money and not ongoing.

Senator Moran moved that the minutes of the February 14, 1991 meeting be approved. Senator Francisco seconded the motion, and the motion carried.

Committee members were provided with a Memorandum listing special project positions in the Department of Commerce and summarizing major budget changes for the Department of Commerce and the Kansas Technology Enterprise Corporation (Attachment 2).

The meeting adjourned at 9:00 a.m. The next meeting of the Committee will be Wednesday, February 20, 1991.

Date 2/19/91

SENATE ECONOMIC DEVELOPMENT  
VISITOR SHEET

(Please sign)

Name/Company

Name/Company

Robert T. Helman / IIC Ltd.

Randi Jweitaras / Commerce

James Beckley / Commerce

Jim Kadel / Commerce

John J. / Ks Legal Service  
John A. / Commerce

Jerry Decker / Bd. of Ag.

W. J. / KDW

Charles / KRIOM KU

Jerry Dill / Ks Dept of Comm.

Charles Waver / Kansas Inc.

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**KANSAS' REPRESENTATION IN JAPAN:**

**A BRIEF ON**

**THE OFFICE STRUCTURE AND**

**RECENT ACTIVITIES AND DIRECTIONS**

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**Presented to:** Senate Economic Development Committee

**Presented by:** Robert T. Hitchner  
Kansas' Representative in Japan,  
and

Managing Director  
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**Date:** February 19, 1991

Attachment 1  
2/19/91  
Sen. Eco. Dev.

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2/19/91  
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## 1. The Structure of Kansas' Presence in Japan

Kansas is one of about 40 US states and major regional centers with representation in Japan to promote economic development. Kansas' permanent presence in Japan was established at the time of the contractual appointment of our firm, International Investment Consultants, in August 1985.

Through a work program that is established annually through discussion with KDOC, we represent the state in the same capacity as a full-time, state-run office. The contractual relationship allows Kansas to maintain an on-going presence in Tokyo under an extremely limited budget.

Since we have a telephone line that is dedicated to the Kansas work and use Kansas stationery and namecards, we are perceived by the Japanese business community in exactly the same way as an office manned by state civil servants. The continuity of our representation lends credibility to Kansas' presence in Japan.

Four members of our firm regularly dedicate their time to the work for Kansas. These are:

**Bob Hitchner** -- I manage the Kansas program in Tokyo and directly run the Industrial Development activities, including company presentations on the Kansas business environment, negotiations with potential investors, and liaison with existing investors and key contacts. I have lived in Japan over a dozen years and both read and speak Japanese fluently. I studied East Asian Studies at Harvard University and International Business at Tokyo's Sophia University.

**Constance Downs** heads up our export and business support activities for Kansas businesses. This includes distributor and partner search, evaluation and approach; negotiations support and advice; presentations on Kansas' products to potential importers; and liaison between Kansas and Japanese firms. Constie is an exceedingly unusual and talented person able to move completely freely between Japanese and American cultures, having been born and raised in

Japan. She is a graduate in International Relations from Earlham College in Richmond, Indiana, and previously worked with the Industrial Bank of Japan in New York.

Toshiko Ohnishi supports our industrial development program including direction of our new mail-based communications campaign to the pharmaceutical industry, and contacts and screening of potential investors. Toshiko previously worked for the trading giant Nissho Iwai and is a graduate of prestigious Aoyama Gakuin University in Tokyo.

Satoko Kimiya supports all of our activities as a capable administrative assistant. She has been with the program now for three years. She is a graduate of the Kanda School of Foreign Languages.

Additionally, our firm's chairman, Eugene Lee, is a valuable on-going advisor to our activities. Gene is a native of Wichita and a graduate of the University of Kansas. He has lived in Japan since 1968 when he first came to Japan as a Fulbright Scholar to Tokyo University.

Today, in addition to acting as IIC chairman, Gene is the chief representative of the German Siemens Group in Japan. He is both president of their medical equipment subsidiary and has just recently been named vice chairman of their electrical/electronics operation. These positions give him unparalleled access among foreign businessmen to the leaders of Japan's large corporations.

## 2. The Program Focus

Our current program has three main focusses:

### a. Investment attraction

Our activities to attract Japanese corporate investment into Kansas through the siting of new operations and collaboration with Kansas entities currently concentrate particularly on pharmaceutical-related R&D investment. This pharmaceutical marketing program is being conducted in collaboration with the Higuchi Biosciences Center at the University of Kansas and with KTEC.

Our objective is to find new industrial partners to support research activities at the Higuchi Center, leading ultimately to the development of an R&D-intensive pharmaceutical industry in Kansas. Japanese corporate strategies in the biosciences field dovetail perfectly with Kansas' technological expertise and economic development objectives in this industry.

Outside of pharmaceuticals, we support KDOC's industrial development work in Japan through networking, assistance to Kansas communities, seminar participation, the fielding of inquiries etc. For example, we played a key role in positioning Kansas to Takako Industries of Osaka, the company that has just established a manufacturing operation in Hutchinson.

### b. Export Assistance

We support the development of the business interests of specific Kansas' businesses by ...

- identifying and evaluating potential partners (including distributors, importers etc.)
- approaching potential partners



- advising on negotiations with Japanese parties
- providing ad hoc advice and assistance to Kansas businesspeople on their Japan business
- fielding of import inquiries by Japanese importers
- the provision of information on markets, industries, and companies
- liaison with government agencies in Japan.

**c. Relationship building**

Relationships and perceptions are particularly critical in Japanese business decisionmaking. Another important activity for us is the strengthening and extension of our core relationships.

These include ...

- contacts with the ruling Liberal Democratic Party and other politicians
- contacts with government agencies and leading banks
- cultural exchange programs such as sister city programs etc.
- Kansas-related alumni activities.

### 3. 1990 Developments and Achievements

Japan is in fact making a positive impact on the economic development of Kansas and we at the Kansas Tokyo Office are playing a role as catalyst and support for these deepening ties.

Some of the key developments of the past year in which we had a central role include:

- The siting of a high tech manufacturing operation in Hutchinson by Takako Industries of East Osaka.
- Hutchinson's first (and successful) marketing foray into Japan, cementing the relationship with Takako and establishing ties with the East Osaka business community.
- Successful initiation of an industrial development marketing program to the Japanese pharmaceutical industry.
- Kansas' visible participation (including the Lieutenant Governor, Miss Kansas, and the Secretary of Agriculture) in a beef promotion at the opening of a specialty meat outlet by Japan's largest retailer, Daiei.
- The identification and approach to potential joint venture partners for Preco Industries of Kansas City.
- Support for the Jetro merchandiser program that introduced a range of Kansas products to potential importers.
- Identification of Kansas products appropriate for sale at the gift outlet at a new Japanese resort.
- The formalization of sister city ties between Lawrence and the City of Hiratsuka, a commercial and academic center southwest of Tokyo proper.

4. Directions

We are now at that point of the year when we begin to finalize the nature of the marketing program for the next fiscal year beginning July 1.

Some of the key program issues that we must address are:

- **Pharmaceutical R&D marketing:** What kind and what level of support to provide?
- **New target industry:** For industrial development, how to develop a new successful target area as we have done in pharmaceuticals? What industry (value-added agricultural processing, printing, environmental services, new materials etc.)?
- **Export support:** How to structure export assistance programs for individual companies, and how to increase resources for this activity? How to identify companies with the greatest potential to achieve?

Support to be divided primarily between ...

- tailored, hands-on assistance to individual companies
- trade show participation support
- **Promotional literature:** How to replace our now-dated promotional literature in the Japanese language?

Within budgetary constraints, we need to prioritize our programs by the potential that they offer to supporting the economic development of the state.

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**APPENDIX: US State and Regional Offices in Japan**

**States:**

Alabama	Missouri
Alaska	Montana
Arkansas	Nevada
California	New Jersey
Colorado	New York
Connecticut	North Carolina
Delaware	Ohio
Florida	Oklahoma
Hawaii	Oregon
Illinois	Pennsylvania
Indiana	South Carolina
Iowa	Texas
Kansas	Utah
Kentucky	Virginia
Louisiana	Washington
Maryland	Wisconsin
Massachusetts	
Michigan	
Minnesota	
Mississippi	

**Others:**

New York/New Jersey Port Authority  
Puerto Rico  
Samoa  
San Bernardino

Source: American State Offices Association

# MEMORANDUM

## Kansas Legislative Research Department

Room 545-N -- Statehouse  
Topeka, Kansas 66612-1586  
(913) 296-3181

February 14, 1991

**To:** Senate Economic Development Committee  
**From:** Paul R. West, Senior Fiscal Analyst  
**Re:** Requests for Further Information on the Department of Commerce and the Kansas Technology Enterprise Corporation

1. **Special Project Positions.** The Department of Commerce currently has 3.5 special project positions budgeted. These positions are in addition to the FTE positions reported to the Committee previously, although the funding for the special project positions is included within the budget figures reported to the Committee. The budgeted special project positions and the associated program is listed below:

<u>Program</u>	<u>No.</u>	<u>Purpose</u>
National Institute for Rural Development	1.0	Director
Office of Housing	1.0	Planner
Office of Housing	0.5	Accountant
Minority Business Operations	1.0	Program Manager

2. **Summary of Major Budget Changes.** The following table reviews changes in excess of \$100,000 between the agencies' FY 1991 budget estimates and the Governor's recommended FY 1992 budget for the Department of Commerce and programs currently under KTEC.

<u>Item</u>	<u>Agency Est. FY 91</u>	<u>Governor's Rec. FY 92</u>	<u>Difference</u>
Department of Commerce:			
Computer Acquisition	\$ --	\$ 127,365	\$ 127,365
Tourism Communications	75,319	201,319	126,000
Tourism Promotions	1,024,328	497,182	(527,146)
Industrial Advertising	409,080	200,000	(209,080)
Special Projects	250,000	--	(250,000)
Overseas Offices	390,000	190,000	(200,000)

Attachment 2  
2/19/91  
Sen. Eco. Dev.

<u>Item</u>	<u>Agency Est. FY 91</u>	<u>Governor's Rec. FY 92</u>	<u>Difference</u>
Industrial Training	2,750,000	1,750,000	(1,000,000)
Salaries and Wages	4,171,958	3,906,354	(265,604)
Partnership Fund Loans	1,250,000	500,000	(750,000)
CDBG Grants	15,447,905	14,617,883	(830,022)
Subtotal -- Commerce	<u>\$ 25,768,590</u>	<u>\$ 21,990,103</u>	<u>\$ (3,778,487)</u>
KTEC Programs:			
KTEC Salaries	\$ 346,678	\$ 139,606	(207,072)
KTEC OOE	337,332	137,785	(199,547)
Special Projects	574,402	100,000	(474,402)
KVAC Grants	466,475	200,000	(266,475)
Research Matching Grants	2,127,485	900,000	(1,227,485)
Training Equipment Grants	150,000	--	(150,000)
Industrial Liaison Program	300,000	--	(300,000)
Seed Capital	200,000	--	(200,000)
Subtotal -- KTEC	<u>\$ 4,502,372</u>	<u>\$ 1,477,391</u>	<u>\$ (3,024,981)</u>
TOTAL -- Commerce and KTEC	<u>\$ 30,270,962</u>	<u>\$ 23,467,494</u>	<u>\$ (6,803,468)</u>