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## Seeking Med-Tech's Ideal Home

May 14, 2011 - Janet Moore

**Minnesota offers lower costs than other industry hot spots. But companies are also looking at new options.**



**John Boyd of Boyd Company, a nationally known consulting firm for medical device companies on where to locate new manufacturing operations.**

John Boyd Jr. spends much of his time jetting around the world to find prospective sites for businesses to expand. It's a complicated calculus that takes into account many factors, and cost is a big part of the equation.

Recently, Boyd looked at the costs of operating a medical technology manufacturing facility in various locations, including med-tech hubs like Silicon Valley, Boston and the Twin Cities.

His finding: Overall costs of operating a medical device facility in the Twin Cities aren't as high as in other industry centers. In fact, the Twin Cities didn't even break the top 10 costliest cities to do business in med-tech. It came in 17th, with costs comparable to Baltimore or Sacramento, Calif.

On the other hand, Boyd said firms also have significantly cheaper options, such as Mexico, Costa Rica and smaller U.S. metro areas such as Sioux Falls, S.D.

Boyd, principal of the New Jersey site selection firm the Boyd Co., spoke last week about his findings.

**Q** What are the positives for med-tech companies looking to expand or locate in Minnesota?

**A** Clearly, it's the tremendous presence of the industry here. The great record of [National Institutes of Health] and venture capital funding and, believe it or not, the proximity to Canada and the I-35 corridor. As costs have homogenized between Canada and the United States, we see opportunities for Canadian firms to invest in the U.S. because the cost efficiencies no longer exist in Canada with the falling U.S. dollar. You see Canadian companies now looking at the U.S. as a way to service the rich North American markets.

There's actually an overall trend of looking at locations in the Midwest. Diesel gas prices also fit nicely with the Midwest. Being in the center of the country. Of course the big positive with the Twin Cities is access to China with the air service hub here.

**Q** And the downside?

**A** The biggest con is your business climate.

**Q** Meaning?

**A** There's a new wave of cost-cutting pro-business governors like Rick Scott in Florida, Mitch Daniels in Indiana and Chris Christie in New Jersey. Gov. Dayton is not part of that wave; he's not known as a tax cutter. There are tax hikes on the horizon here that make business very, very uncomfortable. You're also competing with right-to-work states like Iowa and South Dakota.

There's the anti-cloning bills in the Minnesota Legislature to outlaw stem cell research. That sends a bad message to innovators. The last thing you want is your state government to make laws that are going to not only prevent companies from moving here, but prevent researchers, scientists and venture capital money from coming here.

**Q** Costa Rica seems to be a hot spot for med-tech companies. You say it's the new medical device center for Latin America. St. Jude Medical just opened a plant there. What gives?

**A** Medtronic and Boston Scientific are there. It has high literacy rates, good labor training programs, two major airports and sea access, which fits nicely with the expansion of the Panama Canal.

**Q** On the other hand, you mention Sioux Falls, S.D., as an emerging med-tech hub, as well.

**A** The message here is that Minnesota is facing new competition like Sioux Falls -- smaller, less-costly cities. That's the type of market that our clients are looking for right now.

**Q** Have you ever been to Sioux Falls?

**A** Yes, I have. Not every small low-cost city in North America could accommodate these projects. So we look at a city like Sioux Falls. In addition to having low operating costs and right-to-work status, you have Avera [McKennon Hospital & University Health Center] and Sanford Health, which have great reputations as regional centers of excellence in the health care industry.

**Q** Are there other smaller market advantages?

**A** There are. One of the realities that we're seeing in site selection is that it's easier now to recruit workers to lower-cost areas. The rules are all different now. Before the recession the idea of moving to one of these small cities would be very unappealing. But now people will go where the jobs are. The idea of buying a house for a fraction of what you'd pay in a larger city, and have lower health care costs, that's very appealing to people in this economy.

The reality is, there's very few of these projects, but every community in the country wants to attract one.

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## About John Boyd Jr.

**Age:** 32

**Position:** Principal of the Princeton, N.J.-based corporate site selection firm, The Boyd Co. Inc.

**Selected clients:** Time Inc., PepsiCo, Pratt & Whitney, Sanofi-Aventis, Hewlett-Packard.

Minnesota clients include Minnetonka-based Michael Foods, the largest producer of egg products in North America.

**When in Minnesota:** Million-mile traveler Boyd includes Manny's in Minneapolis among his favorite restaurants. Enjoys watching his Yankees at Target Field with an ice-cold Finnegans in hand.