

## Expert tells what companies seek in site

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As a principal with the Princeton, N.J., site-selection firm The Boyd Co., John Boyd Jr.'s job is to know exactly what a company is looking for when it considers relocating or expanding to a new area.

Boyd's work frequently brings him to the Triangle, a region that often makes his clients' short-list of possible relocation sites.

Among Boyd's past clients was Stiefel Laboratories, a GlaxoSmithKline subsidiary that makes skin-care products.

In late 2009, Stiefel announced it would close its facility in Duluth, Ga., and move the work to a plant in Research Triangle Park.

Boyd, 32, specializes in consulting for companies in the medical devices and supplies industry, a sector that includes everything from contact lenses to pacemakers. The Triangle has the third largest cluster of such companies in the U.S., behind Minneapolis and Boston.

On Monday, Boyd was in the Triangle to present a new report comparing the cost of operating a high technology manufacturing facility at 55 locations in the U.S., Canada, Mexico and Latin America.

He discussed with staff writer David Bracken how the Triangle stacks up, and what factors are driving the relocation decisions being made by his clients. Some highlights:

On where the Triangle ranks:

The Boyd report puts the annual cost of operating a medical device manufacturing facility in the Triangle at \$24.2 million. That ranked in the middle of the pack of the 55 locations - cheaper than places such as Silicon Valley, Boston, Philadelphia and Minneapolis, but more expensive than Atlanta, Nashville, Tenn., and Richmond, Va.

Boyd said most medical device companies look at three main factors when considering a site: whether it's a right-to-work state; whether it has a favorable corporate tax structure; and whether it has a strong health care sector already.

"The news is good for the Research Triangle as the costs remain very competitive here," Boyd said.

The Boyd report includes a number of smaller, less expensive markets, such as Sioux Falls, S.D., and Kalamazoo, Mich. Boyd said more clients are taking a hard look at such locations as a way to offset rising costs associated with the recent health care overhaul and increased regulatory requirements.

The Triangle is particularly attractive to companies located in more expensive and highly regulated cities, such as Minneapolis, Boston, Philadelphia and San Diego.

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"RTP's fiercest competition for these projects will be even lower cost smaller markets," he said.

On what industries are producing the most relocation and expansion projects:

Boyd said three sectors are poised to experience the kind of growth that will result in major economic development opportunities for regions such as the Triangle: Logistics, energy and health care.

Medical device companies are expected to benefit from an aging baby boomer generation and from the additional 40 million Americans who are expected to become insured as a result of the health care overhaul.

Boyd said the medical device industry is also less vulnerable to moving operations to low-cost locations outside the U.S. He said companies are staying in the U.S. to protect their intellectual property and to ensure better quality control over their facilities.

"It's becoming the norm for medical device and biotechnology companies," Boyd said. "It suddenly makes sense to make things in the U.S. This is where the jobs are in terms of manufacturing."

On what role incentives play in the site-selection process:

Boyd described incentives as an "evolving science." He said North Carolina's experience with Dell has placed more emphasis on the need to have tight "claw-back" provisions for companies that fail to deliver on promises.

The promise of millions in incentives lured Dell to open a computer-assembly plant in Winston-Salem. The facility closed just five years after it opened.

Boyd said incentives packages are becoming increasingly homogenized, meaning any offer put forward by one state is likely to be matched by another state.

"At the end of the day it comes down to having a skilled workforce, a business-friendly climate and low operating costs," Boyd said. "Incentives are really just gravy."

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