

South Carolina manufacturing costs lowest in lower 48, per nationwide survey

Maayan Schechter, The Greenville News, July 28, 2017



(Photo: LAUREN PETRACCA/Staff)

A new study out this month paints a pretty picture of the Palmetto State when it comes to where companies should look to re-shore their manufacturing sites in the United States.

Out of 48 states, excluding Hawaii and Alaska, South Carolina ranked the lowest in the cost of operating an advanced manufacturing plant at \$30.1 million.

New Jersey ranked highest at nearly \$40 million, a 24.4 percent difference compared to South Carolina.

Princeton, New Jersey-based site selection firm The Boyd Company, which boasts clients like Boeing, PepsiCo and JP Morgan Chase, focused on key cost elements important to the site selection process, like real estate, labor, power and taxes, according to the study.

The firm has also been involved with significant clients in the Upstate region, including Verizon and TD Bank.

The study is one of the first for the firm, following a resurgence in the national discussion of re-shoring manufacturing plants.

"It's kind of designed to be an initial resource for companies to see how operating costs vary among the 48 contiguous U.S. states," said John Boyd Jr., a principal at The Boyd Co. and son of the company's founder. "South Carolina is the lowest cost state in the analysis. That's terrific news for South Carolina."

The study based costs on a hypothetical 225,000-square-foot advanced manufacturing plant employing 500 workers.

Under the analysis, South Carolina's total annual labor costs – about \$26 million – ranked lowest compared to the most expensive state, New Jersey, at \$34 million.

The hypothetical study also drew up property and sales tax costs for South Carolina: \$270,000 in property tax costs and \$600,000 in sales tax costs.

Next door, neighboring state North Carolina's total annual labor costs came in at about \$29 million, with \$322,467 in property tax costs and \$500,000 in sales tax costs, the study showed.

Boyd, who spoke to *The Greenville News* at the Greenville Marriott Hotel on Monday, was in the Upstate this week meeting with at least two clients, he said.

Though he's not native to the state, Boyd joked he almost holds a dual citizenship for the amount of time he's spent in South Carolina.

"Well, the joke is, South Carolina has been so hot and so attractive over the past 18 months, we project this momentum to continue," he said.

Boyd said re-shoring is certainly a trend occurring in the U.S., following a loss of more than 2 million manufacturing jobs to markets in countries like China and Mexico between 2000 and 2015.

"But, we're seeing the pace of re-shoring to accelerate under this new administration, under tax cuts that seem to be on the horizon, new infrastructure spending, eliminating expensive environmental regulations, the idea of potential new trade policy that'll make it more costly to produce in China and Mexico," he said.

Though the firm considers itself "non-partisan," Boyd commended President Donald Trump's "America first agenda" for being part of that motivation.

"You have Samsung, you have Volvo with their first North America production facility in Charleston, which is a very exciting project," he said.

In June, South Korean-based Samsung announced a \$380 million investment in South Carolina to manufacturer home appliances at the former Caterpillar plant in Newberry.

The investment is expected to create nearly 1,000 jobs in three years.

The announcement came just hours after South Korean President Moon Jae-in left for the U.S. for meetings with Trump, The Associated Press reported.

Just this week, the White House announced Taiwanese electronics manufacturer Foxconn Technology Group planned to invest \$10 billion to build a display panel plant in Wisconsin. The plant could employ up to 13,000 workers but would require up to \$3 billion in subsidies from state taxpayers, according to USA Today.

"This is a president that seems to be putting economic development inside of the Oval Office," Boyd said. "Look at the Carrier announcement, Ford and Samsung. The president has his fingerprints on a lot of those deals."

South Carolina's explosion of manufacturing plants, whether automotive, aerospace or food processing, can be credited to the former Gov. Nikki Haley, now U.S. ambassador to the United Nations, and Gov. Henry McMaster, Boyd said.

The likes of State Commerce Secretary Bobby Hitt and Sens. Lindsey Graham and Tim Scott are also playing key leadership roles, he said.

"What a great advocate Lindsey Graham is for the region," Boyd said.

What about South Carolina makes it so attractive to companies: Boyd said No. 1, those low operating costs and close to first, the "terrific workforce program."

Add onto that list the state's technical schools and programs, South Carolina's right to work status and the available infrastructure from the Port of Charleston to the Inland Port in Greer, he said.

"The Port of Charleston is one of the highest-performing ports in America today. Then there's the new Hugh Leatherman terminal that's being built. (S.C. Sen.) Hugh Leatherman is one of the most influential politician in South Carolina at the state level. That's a \$700 million expansion," he said.

Boyd said there's always a concern that high-performing markets, like South Carolina, could so-called "tap out" in space and incentives.

But, he said, with company expansions that include BMW's recent announcement of a \$600 million investment, with the addition of 1,000 jobs at its Spartanburg manufacturing plant, it shows precedent to other companies looking to move in.

"There's a lot of interest in South Carolina today, especially, to be honest, the northeastern part of the state, the Florence, Dillon market," he said. "That could be the next wave of corporate investment into the Palmetto State, because of its low cost profile, its workforce training program."

However, just because South Carolina has the cheapest costs, doesn't mean it won't be an all out war to land the next big plant project, Boyd said.

"We call economic development in 2017 the second war between the states," he said. "That's how competitive it is."