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Studies: food and plastics producers spend less to set roots in region

BY JON O'CONNELL, STAFF WRITER / Published: July 9, 2017

Makers of plastics, food and beverages could save millions if they set up shop here rather than some other East Coast city, a new study says.

Plastics manufacturers could save 6.5 percent on total operating costs over Allentown, or more than $1 million dollars a year, according to the study released in June by the Boyd Company, a New Jersey-based consulting firm.

Food and beverage makers can save 6.3 percent, or about $1.6 million, the study says.

The Scranton/Wilkes-Barre metro area looks even sweeter when comparing to places like Philadelphia, New York or New Jersey.

Comparing costs

A typical plastics manufacturer in a 175,000-square-foot building with 225 employees, can operate for about $14.5 million per year. That includes labor costs, debt repayment, taxes and utilities. That same plant operating in other cities would face higher costs.

A manufacturer of, say, plastic bottles or PVC pipe, in Newark, New Jersey, would pay more than $18 million annually, the study says.

A food or beverage processor, with a typical 225,000-square-foot plant and 350 workers, pays $25 million a year in the area, but more than $30 million in the Newark/North Jersey area.

John Boyd, principal at the Boyd Company, chalked much of it up to low utility prices borne out of nearness to Pennsylvania's gas fields.

“Natural gas costs in the region are approximately half of what they are in neighboring New York and New Jersey,” he said. “That's a major competitive advantage.”

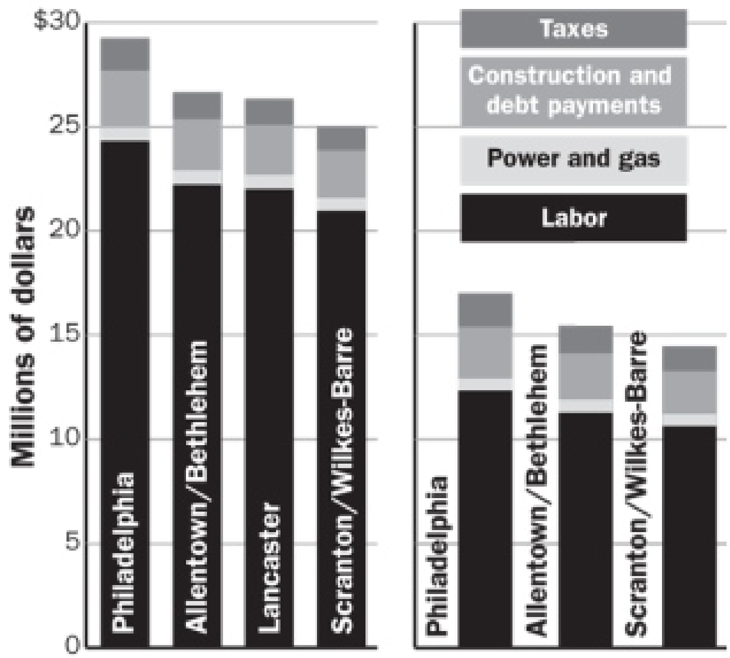
The cost of doing business

Cost breakdown for food/beverage makers

For a typical 225,000-square-foot food or beverage plant with 350 workers.

Cost breakdown for plastics manufacturers

For a typical 175,000-square-foot plastics manufacturing plant with 225 workers.



Total annual costs for competing areas

Food/beverage makers	
Long Island	$31,638,536
Newark/North Jersey	$30,341,466
Boston	$29,509,537
Poughkeepsie/Hudson Valley	$29,421,140
Philadelphia	**$29,249,322**
Camden/South Jersey	$28,760,328
Baltimore	$27,239,553
Allentown/Bethlehem	**$26,667,960**
Lancaster	**$26,335,369**
Scranton/Wilkes-Barre	**$25,000,087**

Plastics manufacturers	
Long Island	$18,713,712
White Plains/Westchester	$18,621,515
New Brunswick	$18,084,608
Newark	$18,036,921
Philadelphia	**$17,024,142**
Rochester	$16,109,702
Allentown/Bethlehem	**$15,452,299**
Scranton/Wilkes-Barre	**$14,448,952**

SOURCE: *THE BOYD COMPANY*

KEVIN O'NEILL / STAFF ARTIST

Touting workforce

Penn's Northeast commissioned the study. The nonprofit economic development cooperative in Pittston Twp., works to lure new or growing businesses to Lackawanna, Luzerne, Wayne, Monroe and Schuylkill counties, and parts of Columbia County, touting the region's workforce, access to infrastructure and location.

"These studies reaffirm what we have been saying for years. Companies that are looking to grow their business on the East Coast should be looking at all that our region has to offer," Penn's Northeast President John Augustine said.

The studies follow a previous Boyd study this time last year that said operating costs for a typical food processing plant were $38.5 million, or $13 million more than this year's estimates.

The Boyd Company, whose site selection clients include such giants as AT&T, PepsiCo, and Samsung, had embarked on that study on its own, using different figures for plant size and locations. It had also considered 24 regions across the U.S. and Canada.

This time, Augustine said they honed study parameters for the kinds of manufacturers Penn's Northeast wants to build here, and geographic regions that compete in the East Coast market, like Baltimore, Boston and Philadelphia.

"I'm competing against New York, New Jersey and the Lehigh Valley," he said. "And frankly, the Lehigh Valley does it very well."

Augustine has been shopping around the reports, and he's now courting eight companies, two from overseas, to set roots here.

He's barred from sharing their identities because of nondisclosure agreements, he said.

Several firms, like CCL Tube in Hanover Twp., and AEP Industries and i2m, both in Wright Twp., already take raw plastic material, either resin or pellets, and turn it into finished goods.

Major development in Western Pennsylvania could make the whole state more attractive to plastics companies, of which there are thousands, Boyd said.

"Many of them are small, privately held companies that watch the bottom line very closely," he said.

On the banks of the Ohio River in Beaver County, about 40 miles north of Pittsburgh, Shell is now building a plant the size of a small town that will convert natural gas liquids to raw plastic.

Shell's project accompanies an investment surge in petrochemicals as the nation's natural gas industry matures. Other companies, like Dow Chemical Co., which completed its Freeport, Texas, plant in March, and ExxonMobil, which in April made public plans for a plant in coastal Texas, continue pumping billions of dollars into raw plastics development from natural gas.

The prospects for Northeast Pennsylvania, considering nearness to the Shell plant coupled with lower cost of living — which means lower wages — lower taxes and cheaper utilities, makes the region even more attractive to plastics makers.

It's too early to say when Shell's plant will start delivering raw material to factories directly to the northeast, but "companies are aware that it's being built," Augustine said.