

Industry Cost Comparison Of The Pacific Coast States

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Introduction

Oregon's primary competitors for the jobs and investment dollars of new and expanding industries are the states of California and Washington. The economic development rivalry between Oregon and Washington has been especially noteworthy because both states have much in common in terms of geographic distance to consumer markets, similar economies and a shared history. The industrialization of the Pacific Rim has only served to heighten the international attention given to the West Coast states as possible locations for industrial investment.

This report is a three-state comparison of the major direct cost factors generally considered by industry decision-makers. The comparison is between Oregon, Washington and California and is the most current information available. This report does not consider indirect cost factors, such as housing, or subjective location criteria, such as recreation, culture, and education.

Industry is not concerned with how low or high any single direct cost (i.e., taxes, wages) is in a comparison of possible facility locations. Any decision must be made based on the cumulative effect of all direct costs on the company's net profit.

Any single industry location decision, based on direct costs, is further complicated because each corporation has a different operational structure. The highest net profit attainable in any one state will depend on that industry's operation and the site-specific price conditions.

Labor

Oregon has a very competitive manufacturing wage rate. In a wage rate comparison done by selected occupations, Oregon is demonstrably lower in almost all categories. Oregon and California have unionization levels that are equivalent and both states are lower than Washington's.

Oregon has the lowest labor turnover rate (9.4%) in the United States in electronic employees. Oregon is higher in labor productivity (value added) in more industry categories (40%) than California or Washington. Oregon is higher in 60% of the categories in a direct comparison with only Washington.

Taxes

The tax burden to industry of Oregon's corporate excise (net income) tax cost is generally lower than the combined Washington sales/business and occupation (gross receipts) tax and lower than California's sales/excise tax. The additional cost of the California and Washington sales tax on industry start-up and day-to-day purchases for administration and production is substantial. This study assesses four types of industries, three firm sizes and in-state/out-of-state sales. The actual research was done by the Washington Research Council. Oregon has the lowest tax burden in 70% of the 24 possible categories. Oregon is lower in 96% of the categories when compared to only Washington.

Site

Oregon's local property taxes are higher than those of the other two states, but the land and building costs (assessed value) of those states are 20-70% higher than those in Oregon. This makes the effective property tax rate paid by industry in Oregon more competitive.

Industrial property is substantially cheaper in Oregon in terms of actual land and building prices, as well as lease prices.

Energy

Oregon has the lowest natural gas cost in the three metropolitan areas studied. Oregon's electrical costs are lower than California's and competitive with Washington depending on the individual private or public service provider.

Oregon has the competitive advantage in industry direct costs!

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Industry Direct Cost Summary

<u>Labor</u>	<u>Oregon</u>	<u>Washington</u>	<u>California</u>
Annual Average Hourly Manufacturing Wage (1985) ¹	\$10.44	\$11.61	\$9.77
Percentage of Manufacturing Employees That Are Unionized (1985) ²	24.3%	32.4%	24.2%
<u>Taxes</u>			
Business Occupation Tax Rate on Gross Income, City & State (1985) ³	No	.51%	No
Corporate Income Tax Rate on Net Income (1985) ³	7.5%	No	9.6%
Worldwide Unitary Tax (1985) ³	No	No	Yes
State Sales Tax Rate (1985) ³	No	7.0-8.1%	6.0%
State Motor Vehicle Tax Rate, Per Gallon (1985) ³	\$.11	\$.17	\$.09
Average Unemployment Compensation Benefits Per Covered Worker Per Year(1985) ⁴	\$255.54	\$300.97	\$183.08
Maximum Weekly Payment for Worker's Compensation Temporary Total Disability (1985) ⁵	\$334.58	\$260.94	\$224.00
	<u>Portland</u>	<u>Seattle</u>	<u>Los Angeles</u>
Real Property Tax Per \$1,000 Assessed Value (1985) ⁶	\$25.68	\$8.13-15.50	\$10.98
<u>Site Occupancy</u>			
Sales Price of Central City Industrial Site, Per Square Foot, 2-5 Acres (1986) ⁷	\$ 3.50	\$ 5.00	\$10.50
Lease Price Industrial Building, Per Square Foot, 50,000 SF (1986) ⁷	\$ 2.76	\$ 3.35	\$ 4.50
Building Sales Price, Per Square Foot, 50,000 SF (1986) ⁷	\$25.00	\$30.00	\$43.00
<u>Energy</u>			
Electrical Cost Per kWh at 1000 kW and 200,000 kWh (1985) ⁸	\$.049-.070	\$.020-.058	\$.064-.095
Natural Gas Cost Per Million BTU (1985) ⁹	\$ 3.41	\$ 4.21	\$ 4.09

Total Tax Cost Comparison (1985)^{10 11}

(SALES OUT OF STATE)

<u>Industry</u>	<u>Firm Size</u>	<u>Oregon</u>	<u>Washington</u>	<u>California</u>
Canned/Dried Fruits and Vegetables	Small:	\$ 8,897	\$ 39,243	\$ 27,345
	Medium:	142,976	156,947	147,745
	Large:	1,173,593	1,186,656	1,176,128
Electronic Computing Equipment	Small:	\$ 4,437	\$ 29,685	\$ 16,867
	Medium:	29,431	55,565	24,185
	Large:	714,166	789,391	733,879
Sawmills and Planning Mills	Small:	\$ 6,125	\$ 43,742	\$ 28,359
	Medium:	38,294	67,127	32,283
	Large:	207,673	282,174	155,465
Surgical, Medical, Dental Instruments	Small:	\$ 7,177	\$ 26,118	\$ 17,902
	Medium:	89,116	99,384	89,778
	Large:	1,098,670	1,124,980	1,107,950

(SALES IN STATE)

<u>Industry</u>	<u>Firm Size</u>	<u>Oregon</u>	<u>Washington</u>	<u>California</u>
Canned/Dried Fruits and Vegetables	Small:	\$ 10,133	\$ 41,538	\$ 29,036
	Medium:	147,698	165,274	154,068
	Large:	1,205,009	1,221,535	1,218,234
Electronic Computing Equipment	Small:	\$ 4,437	\$ 29,685	\$ 16,867
	Medium:	30,495	55,565	26,006
	Large:	731,985	789,391	758,093
Sawmills and Planning Mills	Small:	\$ 6,125	\$ 43,742	\$ 28,359
	Medium:	38,294	67,127	32,283
	Large:	207,673	282,174	155,465
Surgical, Medical, Dental Instruments	Small:	\$ 8,816	\$ 26,118	\$ 20,066
	Medium:	91,927	99,384	93,630
	Large:	1,128,181	1,124,980	1,147,297

Labor Wage Rate Comparison (1984)

<u>Occupation</u>	<u>Portland, OR</u> ¹²	<u>Seattle, WA</u> ¹³	<u>Los Angeles, CA</u> ¹⁴
Secretary	\$350.00/Week	\$414.50/Week	\$392.00/Week
Typist	221.00/Week	289.50/Week	280.00/Week
File Clerk	188.00/Week	206.00/Week	221.50/Week
Key Entry Operator	266.00/Week	286.50/Week	288.00/Week
Computer Systems Analyst	589.00/Week	577.00/Week	634.00/Week
Computer Programmer	418.00/Week	456.50/Week	510.50/Week
Draftsperson	386.00/Week	400.00/Week	420.00/Week
Senior Electronic Technician	518.00/Week	667.50/Week	593.00/Week
Maintenance Mechanic	13.43/Hour	15.38/Hour	12.58/Hour
Truck Driver	12.16/Hour	14.03/Hour	10.65/Hour

Value Added By Manufacturer Per Production Worker Hour (1982)¹⁵

<u>Industry</u>	<u>Oregon</u>	<u>Washington</u>	<u>California</u>
Apparel and Other Textile Products	\$ 15.61	\$ 13.08	→ \$ 16.25
Chemicals and Allied Products	51.18	← 83.84	72.60
Electric and Electronic Equipment	→ 60.06	49.32	44.87
Fabricated Metal Products	← 31.83	30.83	29.00
Food and Kindred Products	36.87	35.43	→ 45.44
Furniture and Fixtures	21.00	→ 23.85	20.95
Instruments and Related Products	← 66.58	47.47	44.99
Lumber and Wood Products	19.38	→ 20.49	19.50
Machinery, except Electrical	45.40	33.45	→ 45.91
Paper and Allied Products	→ 48.13	43.87	37.19
Primary Metal Industries	→ 38.62	33.63	27.57
Printing and Publishing	38.39	39.30	→ 42.36
Rubber and Misc. Plastic Products	26.79	→ 29.58	25.33
Stone, Clay and Glass Products	→ 33.49	32.23	30.98
Transportation Equipment	29.01	48.33	→ 56.56

Electronic Employee Turnover Rates (1985)¹⁶

Oregon electronics companies recorded the nation's lowest employee turnover rate during 1985. The state's electronics industry had a 9.4 percent turnover rate last year, according to data collected from member companies in the American Electronics Association's Oregon Council for the association's annual Benchmark Survey. That compares to a national rate of 17.6 percent compiled from 1,152 electronics firms across the United States.

Oregon's turnover rates of 10.7 percent for hourly employees--those who receive pay for overtime--and 7.2 percent for salaried employees also were lowest in the nation.

Employee turnover is computed by dividing a company's total number of resignations, discharges, retirements, deaths and releases for nonperformance in 1985 by the average employment for the year. Layoffs are not included.

<u>Region</u>	<u>Total Employees</u>	<u>Salaried Employees</u>	<u>Hourly Employees</u>
Orange County, CA	23.2%	18.6%	24.2%
Texas	21.8	16.4	24.2
New England	21.2	15.7	25.3
Los Angeles, CA	21.0	17.7	25.5
New York (Metro)	19.4	16.4	25.0
Southeast	18.3	14.2	18.6
Florida	17.4	13.5	21.7
Santa Barbara, CA	17.3	12.0	22.0
North Carolina	16.9	12.9	22.3
Mountain States	16.6	12.7	21.8
Arizona	15.7	10.2	19.2
Midwest	15.5	13.5	15.8
Washington	14.8	12.5	15.9
Minnesota	14.5	11.2	18.7
San Diego, CA	14.1	13.7	24.4
Oregon	<u>9.4</u>	<u>7.2</u>	<u>10.7</u>
National	17.6	13.8	21.6

Industrial Property Development Costs (1986)¹⁷

<u>Site Sales Price (Suburbs)</u>	<u>Portland, OR</u>	<u>Seattle, WA</u>	<u>Los Angeles, CA</u>
Improved-Per Square Foot			
Less than 2 acres	\$ 3.50	\$ 5.00	\$ 12.50
2-5 acres	3.50	5.00	10.50
5-10 acres	3.50	4.00	9.50
10 or more acres	3.00	3.25	8.75

Building Sales Prices

Less than 5,000 SF	\$25.00	\$40.00	\$63.00
5,000-20,000 SF	25.00	35.00	54.50
20,000-40,000 SF	25.00	35.00	50.00
40,000-60,000 SF	25.00	30.00	43.00
60,000-100,000 SF	25.00	28.00	37.50
100,000 or more SF	25.00	25.00	35.00
Prime High Technology	50.00	60.00	87.00

Lease Prices

Less than 5,000 SF	\$ 3.60	\$ 4.80	\$ 5.94
5,000-20,000 SF	3.26	3.96	4.90
20,000-40,000 SF	3.00	3.72	4.60
40,000-60,000 SF	2.76	3.35	4.50
60,000-100,000 SF	2.76	3.12	4.25
100,000 or more SF	2.50	3.12	3.85
Prime High Technology	9.60	10.75	14.75

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