A Forward Look at Upstate New York

How Do We Ride the Wave of Manufacturing Re-location?

Susan Christopherson
Department of City and Regional Planning
smc23@cornell.edu
The Resurgence of Manufacturing and the New Location Calculus

• A weak dollar – dropped 26% between 2002 and 2008
• Gradual and anticipated increases in transportation costs – oil at over $100 a barrel for the foreseeable future
• Lower wages in the US; higher wages in China
• Problems with quality control in China
• Intellectual property concerns in China
• Low energy costs in US
• Foreign direct investment has increased (19% in 2008)
Manufacturers are Taking a Second Look at The US

“Manufacturers are beginning to recognize that many of the factors they previously based their off-shoring manufacturing and supply decisions on most heavily, such as component price and transportation costs, have dramatically increased over the last few years—and those seemingly initial cost savings are no longer so big.“

The Manufacturing Institute 2011
Some Recent Examples Emphasize Transportation and Industrial Equipment

• Caterpillar has repatriated manufacturing of construction excavators, boosting investment in facilities in Texas, Arkansas and Illinois.

• GE's appliance unit is in the middle of a four-year, $600 million plan to build up its manufacturing presence in Louisville, Kentucky, adding some 830 new jobs.

The success of these efforts will depend on the quality of regional supply chains.
Upstate Has Already Benefited from This Trend

Upstate cities are among 40 least affected by the great recession.

According to the Brookings Institution 2009 analysis of the Great Lakes metros’ unexpected resilience in the face of the great recession, many industrial centers led the recovery from the massive downturn:

“With increases in job growth, GMP, and housing prices, the worst of the recession may be behind both Madison and Syracuse. Steady, if not yet growing, employment and increasing output, along with rising home prices, provides some indication that Buffalo, too, could be on the road to recovery.”
What Are the Challenges?

• Manufacturing job growth will occur in small and medium-size companies.
• There is a serious skill shortage in manufacturing.
• Few small manufacturing companies are investing in labor skills, information technology or productivity-increasing process innovations (The American Small Manufacturers Coalition).
What Happened as SMEs Replaced Old Routine-Manufacturing Giants?

Source: Treado, Carey et al. “Sustaining Pittsburgh’s Steel Technology Cluster”
What Can We Do in the Short Term?

• Build capacity and global markets in our Upstate manufacturing technology “eco-systems” – electronic packaging, photonics, environmental systems, energy storage, sensors. Develop a green manufacturing cities brand.

• Develop a Manufacturing Renaissance plan for Upstate cities along the lines of Chicagoland and the Bay Area, supporting self-organized groups of SME manufacturers.

• Encourage SUNY to develop DESIGN initiatives (eg. competitions in engineering) that respond to the needs of small manufacturers.
What Should We Do in the Longer Term?

• Develop urban sites, including brownfields, for freight villages and planned manufacturing districts in order to capture logistics and supply chain efficiencies. Develop the potential for multi-modal freight transport capacity in urban sites.

• Decrease incentives for inter-county and inter-city competition in the state and increase incentives for cooperative investment in manufacturing friendly infrastructure.

• Transform Centers of Excellence to serve small companies rather than the multi-national dinosaurs.
Our Goals?

1. To take advantage of the “small wave” of interest in manufacturing in the US, driven by comparative advantage in factor costs. Magnify the advantage.

2. To build on the factor input cost advantage to create technology-based ecosystems made up of SMEs with global markets.

2. To make manufacturing “sticky” because it is more efficient and closer to the end markets.
A Forward Look at Upstate New York
How Do We Ride the Wave of Manufacturing Re-location?

Susan Christopherson
Department of City and Regional Planning
smc23@cornell.edu