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Plastics: On A Higher Mission

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by Rachel Duran

The demand for domestic plastics products remains strong. Data demonstrates workers' wages and the value added to products are increasing.

For Sinicon Plastics, Inc.'s president, David Allen, the ability to leave the office and hit the ski slopes in 15 minutes was a leading criterion behind the decision to expand operations in Pittsfield, Mass.

Sinicon Plastics, which is an injection molding company, has found success in Berkshire County since it was formed in 1968. The company will soon build a new 20,000-square-foot facility, which will be designed by the Husky Design Group, which designs and builds molding plants.

"We have not had difficulty finding employees, but we are also small," Allen notes. "The important factor is that the plastics industry has a history in this area. We have also found strong workers from the high school, bringing them in and training them."

"What I have found is certainly quality of life is important to our companies, as well as access to the people here," says Tyler Fairbank, president, Berkshire Economic Development Corp., when asked why plastics companies remain in western Massachusetts as opposed to looking at other locations in North America or worldwide. "We see more high value-added components within the production chain," he says. "A lower number of units are produced but with a higher yield, involving more specialty work."

The situation in Berkshire County is the case in other locations in the United States as well, where higher value-added activities in the plastics industry are increasing, as well as workers' wages. The value-added to the products in 2004 increased by \$13 billion (10 percent), according to information released by The Society of the Plastics Industry, Inc. (the most current information available as of this writing; the updated numbers were expected to be released in February). Production worker wages increased by \$1.77 million in 2004. Additional data shows the value of goods shipped in the plastics industry in 2004 were \$345 billion, which increased 11 percent from 2002's \$309 billion.

The plastics industry faces the same dilemma that other manufacturers in this country face, in terms of positioning itself for global success. It has fared well overall, remaining one of the largest industries in the country. The industry employed 1.38 million workers in the country in 2004, which was a loss of 67,700 jobs (5 percent) from the 1.4 million in 2002. There were 18,814 plastics operations in place throughout the country in 2004, a loss of 1,145 facilities from 2002, which totaled 19,959 facilities.

Leading states, in terms of concentration of plastics employment in 2004, as per 1,000 ag workers, according to SPI, are: Indiana, Michigan, Ohio, South Carolina, Wisconsin, Mississippi, Rhode Island, Kentucky, Illinois and Tennessee. South Carolina rose from the ninth to fourth position, and Mississippi rose from 10th to sixth place.

The top states for plastics industry employment in 2004 were: California, Ohio, Michigan, Texas, Illinois, Pennsylvania, Indiana, North Carolina, New York and Wisconsin.

What Does The Future Hold?

SPI's members represent the entire plastics industry supply chain, including processors, machinery and equipment manufacturers and raw materials suppliers. The organization says that the industry faces challenges that must be addressed such as high energy costs and global competition, especially because the demand for the product remains strong. In fact in 2004, these companies spent \$8 billion in new capital expenditures to meet demands.

And companies are continuing to invest. A recent plastics project was announced in December by InPlast USA, LLC, which acquired a 63,500-square-foot facility in Leitchfield, Ky., to produce plastic injected molded components for the automotive and medical markets. The company is expected to create 120 new jobs, and invest \$4.7 million in the project.

InPlast USA, a joint venture of Injex Industries and Plastikon Industries, will renovate this facility to accommodate its operations, which includes the construction of a clean room for the manufacture of medical diagnostic plastic components.

In southern Idaho, Hilex Poly Co. opened a facility in September 2005 in Jerome, and has grown three times faster than planned. The firm, headquartered in Hartsville, S.C., uses its Jerome facility for the manufacture of T-shirt bags. The fast-paced growth was credited to the area's strong workforce and pro-business environment, both at the state and local levels, says Leon Farahnik, chairman, Hilex Poly. "When we were looking for a new site, we never thought we would end up in the state of Idaho," Farahnik says. "When we came here, people welcomed us with open arms. It has been a great decision."

Economic developers in southern Idaho credit the region's strong, qualified workforce; favorable power rates (two-thirds of the state's power is produced by hydropower); a strong location for a West Coast presence; and the availability of an existing facility. In addition to Hilex Poly, the region is home to Spears Manufacturing, which manufactures pipe fittings, valves and tubing, employing

200 people; and Solo Cup, which employs 125 people. Solo has expanded its Twin Falls facility since opening in 1998 to accommodate a major account with Costco. The company added equipment, increasing production capabilities by 25 percent, and added 52 machine operators. The company's Twin Falls location allowed it to reduce shipping and freight costs by 45 percent.

Business cost savings are also realized in Berkshire County. Its location in the western half of Massachusetts provides businesses with lower costs for conducting business, living and housing, compared to other parts of the state, and New England. "The low cost of living in western Massachusetts creates the ability to retain both blue collar and white collar workers," Fairbank notes.

Berkshire County is home to large and small plastics facilities, including the home for the global corporate headquarters of GE Plastics (at the time of this writing, GE Plastics had announced the division was for sale). GE has been located in Pittsfield for 74 years, and formerly was home to a transformer and ordnance division for the company, Fairbank notes.

"What has happened is that a lot of people who came here to work at GE do not want to move when they are asked to transfer," Fairbank says. "So there have been spin-offs created in our area from people who worked at GE and didn't want to leave."

Fairbank notes area plastics companies are working more with medical device manufacturing companies and aerospace manufacturing companies, creating products ranging from air filters for F-16s to producing specialty parts. These companies find the heritage of innovation and creativity in Berkshire County is strong, Fairbank points out.

"Just look at the big companies that have remained here, which lead their national and international industries," Fairbank says. (The county is also home to the headquarters for Crane & Co. and KB Toys). "These companies can attract professionals and executives to this area." Additionally, the county offers a diversified economy, which is not dependant on one or two specific companies for employment.

Another diversified economy is found in Northumberland County, Ont., which features a number of companies involved in the plastics and auto supply sectors, for example. The region's business advantages include the universal health care system, where the province's health and insurance plan covers basic medical needs, which is a cost savings for companies coming into the region, particularly from the United States, says George Borovilos, director of economic development and tourism, Northumberland County.

Like Berkshire County, Northumberland County also features a significant presence for GE Plastics, which has an operation in Coburg. Last August, a plastics center of excellence was announced, to be housed at the GE Plastics facility. The center of excellence will focus on advanced research in plastic resins, as well as how to use ag-related inputs in plastics technology. With the center, Northumberland County will be the heart of R&D in the plastics industry in Ontario.

The center of excellence is a result of a \$700,000 investment by Ontario officials, which was matched by GE Plastics. The center is a partnership of the province, the University of Ontario Institute of Technology and GE Plastics.

How will GE Plastics' sale affect the center? "I am not filled in on the particulars, but I would imagine any buyer of the GE Plastics facility would keep this R&D center as part of the conditions," Borovilos notes. "It is a corporate change."

Northumberland County is among the many communities in North America that are primed to roll with the punches in regard to acquisitions, mergers – even closures – in the plastics industry. The history of the industry in these regions, with its existing skilled and available workforces, positions plastics companies to produce higher value-added products. Ideal quality of life amenities, such as what David Allen finds in Berkshire County, sweetens the business proposition.

For complete details on the organizations featured in this article, visit:

Berkshire (Mass.) Economic Development Corp., www.berkshiredc.com

Kentucky Cabinet for Economic Development, www.thinkkentucky.com

Northumberland County (Ont.), www.northumberland.ca

Sinicon Plastics, Inc., www.sinicon.com

Southern Idaho Economic Development Organization, www.southernidaho.org

The Society of the Plastics Industry, Inc., www.plasticsindustry.org

