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NH found expensive to manufacture in

By KATHLEEN CALLAHAN New Hampshire Business Review

For manufacturers, New Hampshire is among the most expensive states in which to operate, according a study from the University of Connecticut.

The study, "High Wages, Low Costs: A Connecticut Paradox?" found that the three most expensive states in the country in which to manufacture are Vermont, New Hampshire and Rhode Island.

According to the study, it costs 93.5 cents to manufacture a dollar's worth of goods in New Hampshire, which is sandwiched by Vermont, at 95.9 cents, and Rhode Island, at 93 cents. This compares to the national average cost of 83.3 cents expended on \$1 of goods. Oregon ranks as the least expensive state for manufacturing, at 70.6 cents.

Using manufacturing data from the 2007 census, authors Lei Chen, Subhash Ray and Dennis Heffley totaled costs of production materials and labor (including payroll and fringe benefits), license fees and taxes, and annual capital costs (which include interest, rental payments and depreciation), which they divided by the gross output in manufacturing to determine the cost of manufacturing a dollar's worth of goods in each state.

The results of the study did not surprise Jim Roche, president of the Business and Industry Association of New Hampshire, but he said he thinks they "would surprise many policymakers."

"There's a perception that New Hampshire has an outstanding business climate. Frankly, that is not necessarily true," said Roche.

The perception of a welcoming business climate is propagated by the state's lack of income and sales tax, said Roche, but other factors – including the high costs of energy, labor and health care, teamed with high business taxes – limits New Hampshire's competitive edge when it comes to keeping manufacturers in-state, he said.

And while the state once just competed with neighboring states, it now competes globally – and isn't keeping up, he said, adding that "major expansions are being made outside of New Hampshire."

Zenagui Brahim, director of operations of the New Hampshire Manufacturing Extension Partnership, said the results of the study surprised him. He called the state's manufacturing climate "attractive."

In his experience, he said, he hasn't seen an exodus of manufacturers leaving New Hampshire for other states. He said the biggest hurdle to manufacturers in New Hampshire state is overseas competition.

Brahim said he thinks lawmakers recognize the importance of manufacturing to the state's economy, but that the sector needs more recognition in terms of incentives.

"Manufacturing needs more support," he said.

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