

The Oregon Advantage

Industry Cost Comparison
Of The
Pacific Coast States

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DEVELOPMENT DEPARTMENT
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Industry Cost Comparison Summary

The State of Oregon is frequently regarded as one of the best locations in the United States to live. Oregon is also one of the best locations in the U.S. to start or operate a business enterprise.

This report documents this last fact. The information in this "Oregon Advantage" series report provides a comparison of direct industry costs in Oregon, California, and Washington. The results are clear. In a factual and carefully footnoted representation, Oregon consistently ranks as an excellent all-around business location.

Indirect factors such as housing costs and educational testing scores, although favorable to Oregon, are not included in this report. Subjective factors such as cultural and recreation opportunities are also not evaluated. Contained here are the "hard" numbers that directly impact a company's bottom line. While each industry and company weighs these factors in a different way, the overall direction is clear: **Oregon is a more profitable location to do business.**

Taxes

Oregon's corporate excise (net income) tax cost is generally lower than the combined Washington State 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 on taxation was done by the Washington Research Council. Oregon was found to have the lowest tax burden in 71% of the 24 possible categories. Oregon is lower in 96% of the categories when compared to Washington only.

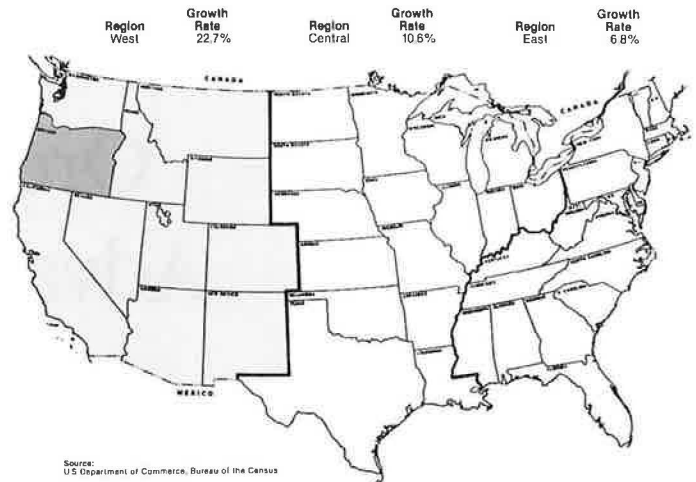
Labor

Oregon has a very competitive manufacturing wage rate. In a wage rate comparison done by selected occupations, Oregon is lower in almost all categories.

Oregon was recently determined to have the lowest labor turnover rate (9.4%) in the entire United States for electronic employees. Oregon has also established a reputation for low labor turnover rates in other occupations that are not as thoroughly analyzed by industry associations. Oregon is also higher in labor productivity (value added) in more industry categories than either California or Washington.

Projected Regional Population

1980-1990
National Growth Rate: 11.2 Percent



Energy

Oregon has the lowest natural gas cost of the three states studied. Oregon's electrical costs are much lower than California's and lower than Washington in the public utility category and slightly higher for private utilities. Energy costs in all three states vary by service areas.

Industrial Property

Industrial property and development costs, as well as lease prices, are substantially less expensive in Oregon compared to California or Washington.

The Oregon Advantage is lower industry direct costs!

For further information contact the Business Development Division at (503) 373-1200 or contact any one of our regional offices listed on the inside back cover.

Taxes

Business Occupation Tax Rate on Gross Income, City and State (1985)¹

Corporate Income Tax Rate on Net Income (1985)¹

State Sales Tax Rate (1985)¹

State Motor Vehicle Tax Rate, Per Gallon (1985)¹

Average Unemployment Compensation Benefits Per Covered Worker Per Year (1985)²

Maximum Weekly Payment for Worker's Compensation Temporary Total Disability (1985)³

Real Property Tax Per \$1,000 of Personal Income (1985)⁴

Labor

Annual Average Hourly Manufacturing Wage (1985)⁵

Percentage of Manufacturing Employees That Are Unionized (1985)⁶

Energy

Electrical Cost 1000 Per kWh (1985)⁷

Public Utility:

Private Utility:

Natural Gas Cost Per Million BTU (1985)⁸

Industrial Property

Sales Price of Central City Industrial Site, Per Square Foot, 2-5 Acres (1986)⁹

Lease Price Industrial Building, Per Square Foot, 50,000 SF (1986)⁹

Building Sales Price, Per Square Foot, 50,000 SF (1986)⁹

Oregon	Washington	California
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No	.51%	No
7.5%	No	9.6%
No	7.0-8.1%	6.0%
\$.11	\$.17	\$.09
\$255.54	\$300.97	\$183.08
\$334.58	\$260.94	\$224.00
\$ 53.41	\$ 32.77	\$ 29.58

\$ 10.44	\$ 11.61	\$ 9.77
24%	32%	24%

\$ 33.74	\$ 35.04	\$ 67.47
\$ 47.89	\$ 45.90	\$ 90.14
\$ 3.41	\$ 4.21	\$ 4.09

Portland	Seattle	Los Angeles
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\$ 3.50	\$ 5.00	\$ 10.50
\$ 2.76	\$ 3.35	\$ 4.50
\$ 25.00	\$ 30.00	\$ 43.00

1. Provided by Department of Revenue for each state, 1985.
2. U.S. Department of Labor, Employment and Training Administration, Unemployment Insurance Financial Data, ET Handbook 394, Preliminary Data.
3. **State Worker's Compensation Laws**, U.S. Department of Labor, Employment Standards Administration, Office of State Liaison and Legislative Analysis, Division of State Worker's Compensation Programs, January, 1986.
4. **Government Finances in 1983-84**, U.S. Department of Commerce, Bureau of the Census, Series GF84 No. 5, October 1985, Table 24, p. 81.

5. U.S. Department of Labor, Bureau of Labor Statistics, **Employment and Earnings**, Washington, D.C., May 1985.
6. Special study conducted by Leo Troy, Ph.D., Professor of Economics, Rutgers University, March, 1986.
7. **Typical Electric Bills - January 1, 1985**, U.S. Department of Energy, December 1985.
8. **State Energy Overview**, U.S. Department of Energy, October 1985.
9. **Industrial Real Estate Market Survey**, Society of Industrial Realtors, Spring/Summer, 1986.

Total Tax Cost Comparison

Summary

Oregon has a substantially lower corporate tax rate than Washington and California in 17 out of 24 tax categories (71%) according to a recent study completed by Arthur Anderson and Company. **Oregon has a lower corporate tax for 100% of the small business concerns** in the four industry groups analyzed. This emphasizes the suitability of Oregon as a location for new and emerging industries.

Overall, Oregon taxes are lower than Washington in 23 of the 24 cases (96%) and lower than California in 18 of the 24 cases (75%).

The following tables portray a three state comparison of corporate taxes in four different industries and by three firm sizes (small, medium, large). The firm size assumptions are based on balance sheet data (see below) from Robert Morris Associates and the calculations were done by Arthur Anderson and Company.

Individual tax factors utilized are the property tax, business and occupation tax, sales tax, net income tax and franchise tax applicable in Portland (OR), Spokane (WA) and San Diego (CA). The study assumed that each firm owned one plant in one state only and made all its sales either in-state or out-of-state.

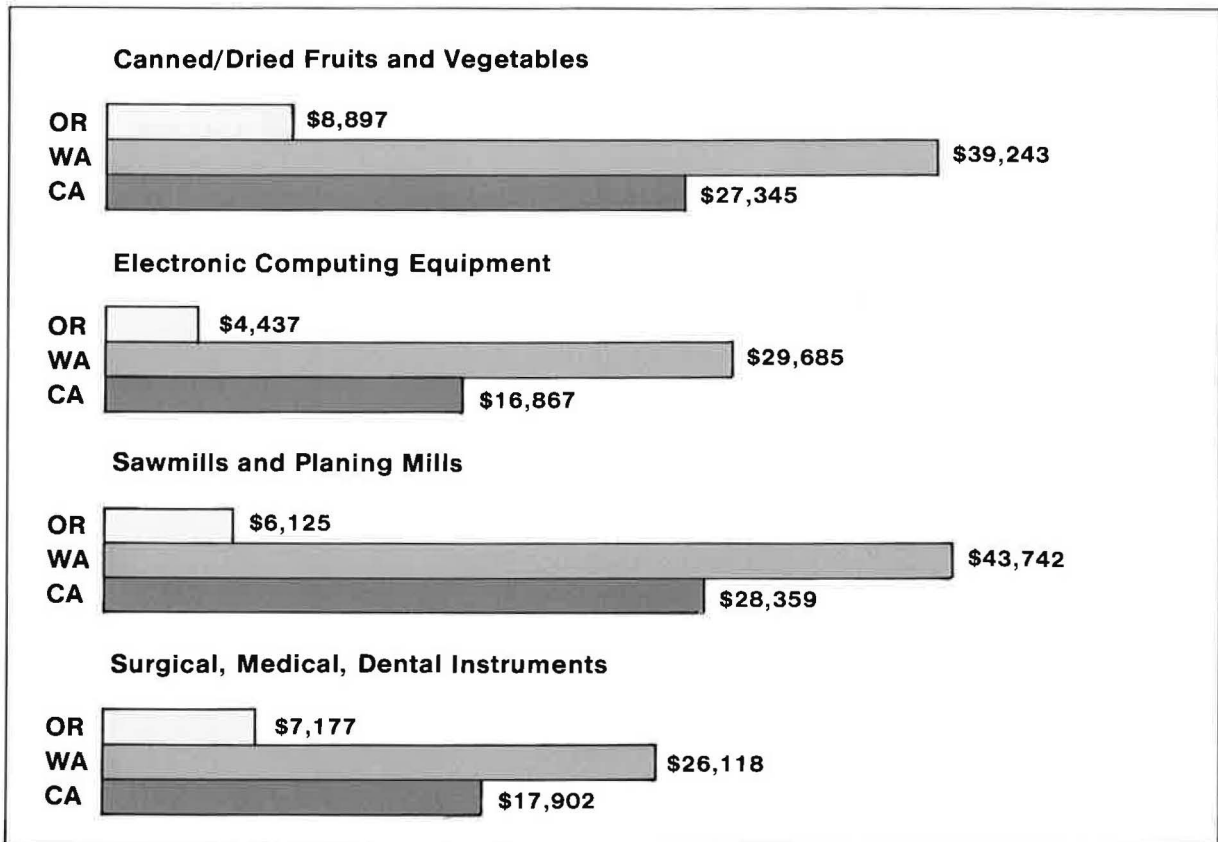
Balance Sheet Assumptions

Industry	Firm Size	Total Assets	Net Worth	Net Sales	Book Profit Before Taxes
Canned/Dried Fruits and Vegetables	Small:	\$ 611,917	\$ 210,499	\$ 1,490,500	\$ 58,130
	Medium:	3,971,683	1,493,353	10,013,512	380,513
	Large:	23,411,095	10,909,570	41,942,381	3,061,794
Electronic Computing Equipment	Small:	\$ 532,433	\$ 195,935	\$ 1,196,900	\$ 3,591
	Medium:	3,963,904	1,827,360	6,351,342	241,351
	Large:	24,140,525	12,866,901	32,084,016	2,310,049
Sawmills and Planing Mills	Small:	\$ 490,915	\$ 198,330	\$ 1,182,213	\$ 26,009
	Medium:	3,652,827	1,461,131	5,830,643	11,661
	Large:	19,814,100	7,846,384	19,546,100	1,602,780
Surgical, Medical, Dental Instruments	Small:	\$ 548,248	\$ 263,106	\$ 1,238,241	\$ 61,912
	Medium:	3,512,872	1,545,664	5,489,085	307,389
	Large:	22,750,692	13,786,920	26,768,846	2,828,040

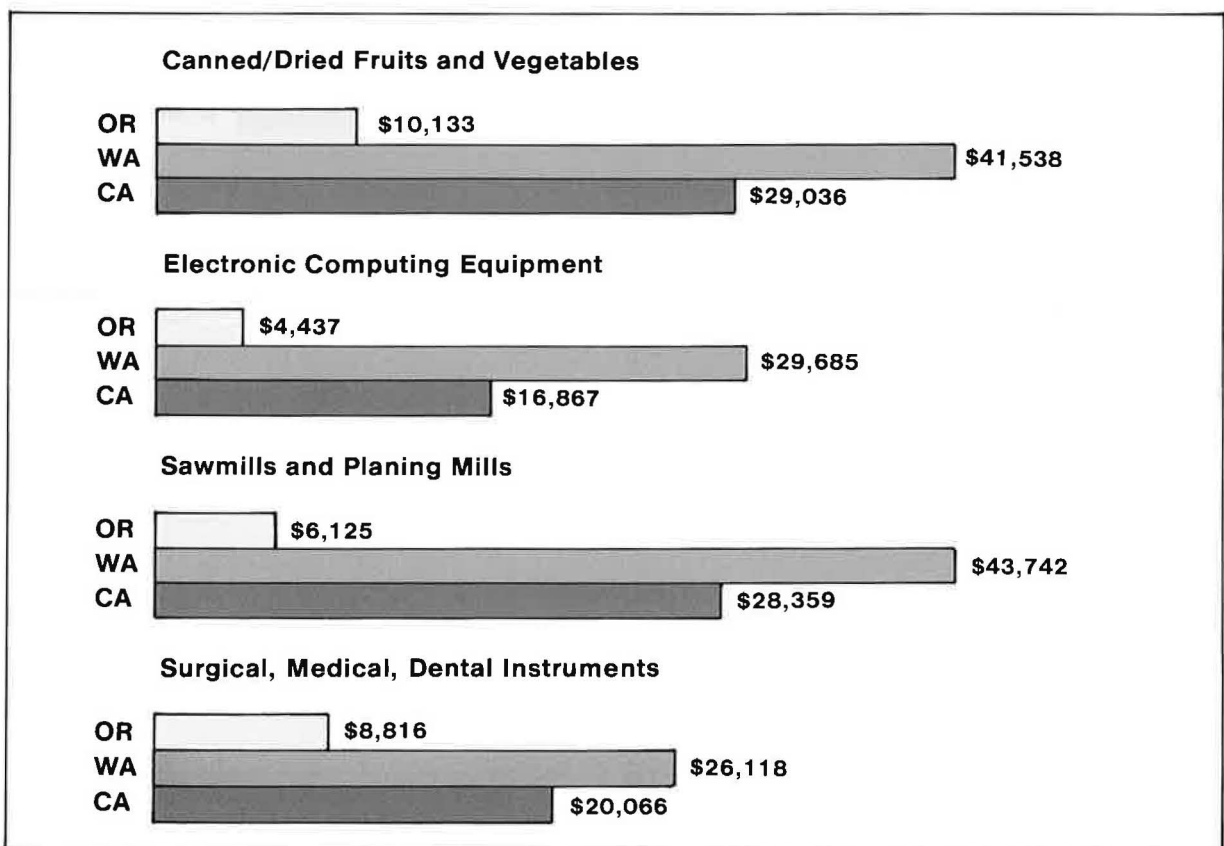
Source: **Tax Burdens on Manufacturers: How Washington Compares**, The Washington Research Council, Olympia, November 1985.

SMALL FIRMS

(All Sales Out-Of-State)



(All Sales In-State)

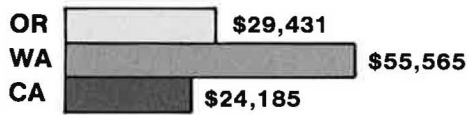


MEDIUM FIRMS
(All Sales Out-Of-State)

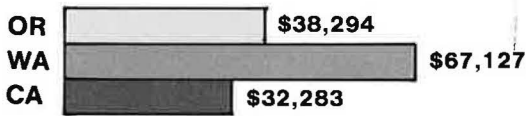
Canned/Dried Fruits and Vegetables



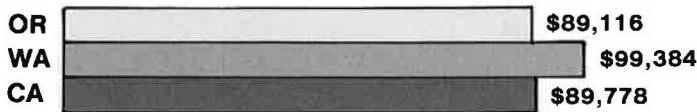
Electronic Computing Equipment



Sawmills and Planing Mills



Surgical, Medical, Dental Instruments

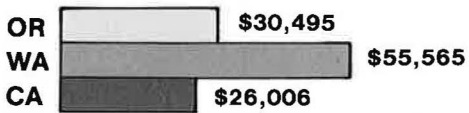


(All Sales In-State)

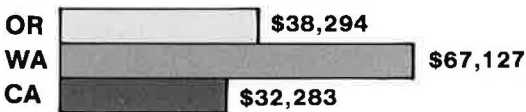
Canned/Dried Fruits and Vegetables



Electronic Computing Equipment



Sawmills and Planing Mills



Surgical, Medical, Dental Instruments



LARGE FIRMS

(All Sales Out-Of-State)

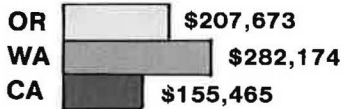
Canned/Dried Fruits and Vegetables



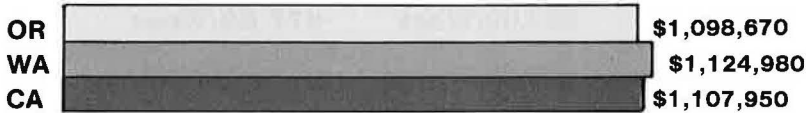
Electronic Computing Equipment



Sawmills and Planing Mills



Surgical, Medical, Dental Instruments



(All Sales In-State)

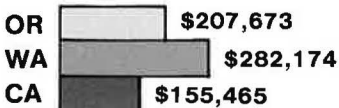
Canned/Dried Fruits and Vegetables



Electronic Computing Equipment



Sawmills and Planing Mills



Surgical, Medical, Dental Instruments



Labor Wage Rate Comparison

Summary

Oregon has lower wage rates than California and Washington in 7 out of 10 (70%) of the job categories that are frequently of interest to new companies. Oregon is lower than Washington in 9

of 10 categories (90%) and lower than California in 8 of 10 classifications (80%). In the three categories for which Oregon is not the lowest cost state, it is the second lowest.

Occupation	Portland, OR	Seattle, WA	Los Angeles, CA
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

Source: **Area Wage Survey**, U.S. Department of Labor, Bureau of Labor Statistics; Portland, OR, June 1984; Seattle-Everett, WA, October 1984; Los Angeles-Long Beach, CA, December 1984.

Value Added by Manufacturer Per Production Worker Hour

Summary

Productivity of the work force is difficult to measure accurately. Productivity is related to the quality and training of the work force, as well as the amount of capital invested in a production facility, the level of technology and the unit value of the final product.

The following information points out that Oregon has a favorable rate of productivity relative to the

value added by manufacturers for each production hour.

Overall, Oregon has a higher rate of productivity compared to Washington and California for the 15 industry categories analyzed. Oregon has a higher rate of productivity compared to Washington for 9 of the 15 categories (60%) and for 8 of the 15 categories (53%) compared to California.

Industry	Oregon	Washington	California
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 Miscellaneous 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

Source: **1982 Census of Manufacturers**, Geographic Area Series, U.S. Department of Commerce, Bureau of Census; California (MC82-A-5), May 1985; Oregon (MC82-A-38), April 1985; Washington (MC82-A-48), April 1985. Latest publication.

Employee Turnover Rates

Summary

Oregon has a reputation for a stable and productive work force. A low employee turnover rate or less "job hopping" is important for all industries. Results from a recent study point out the stability and loyalty of Oregon's work force.

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. **Oregon's employee turnover rate of 9.4% is the lowest in the nation** and 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.

Oregon's total employee turnover rate is substantially less than Washington and California in the study. Washington's turnover rate was 57% higher than Oregon and California's rate was 50% – 147% higher than Oregon.

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.

Region	Total Employees	Salaried Employees	Hourly Employees
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 (Metropolitan)	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	9.4%	7.2%	10.7%
National	17.6%	13.8%	21.6%

Source: **1985 Benchmark Survey**, American Electronics Association, Palo Alto, June 16, 1986.

Industrial Property Development Costs

Summary

Industrial property costs in Oregon are acknowledged to be very favorable for development.

In a recent survey conducted by the Society of Industrial Realtors, **Oregon has the least expensive industrial land and building costs in 100%**

of the categories compared to Washington and California. While land and building costs vary and are actually less expensive in non-metropolitan Oregon, the results of this authoritative report point out a clear advantage for Oregon in this comparison among the three states.

Site Sales Price (Suburbs)	Portland, OR	Seattle, WA	Los Angeles, CA
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

Source: **Industrial Real Estate Market Survey**, Society of Industrial Realtors, Spring/Summer 1986.

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