A Top Down Perspective of the Pioneer Valley: The Future of our Industrial Base

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Over the past five years the Center for Economic Development has been actively involved in industrial planning activities in virtually every community in the Valley. At times our work has been as local as developing a zoning amendment for an industrial park or preparing an overall economic development program. At other times it has been focused on broad policy aspects such as Governor Weld’s recent initiative on improving our economic posture, or participating in the recovery of the WestMass Development Corporation. Throughout our work on approximately 40 different projects, plans and studies, we have been consistently amazed at the degree of change that is occurring. The Valley certainly is not a stagnant place! At times it looks its age and well it should; it is one of the oldest industrial centers in the nation. At other times it is robust and innovative as the Milltechs, Eco Sciences, and National Evaluation Systems are nurtured and move into production. We are regularly asked what this change will mean to the Valley as we move toward the 21st century. It is a difficult question to answer. However, there are some indicators that we believe provide an accurate depiction of where the Valley is going.

Our thoughts are presented below. We begin with a discussion of the four most important elements that will influence the type and form of our industrial base. These are location, labor, capital, and land. We continue by providing an overview of the Valley’s assets and liabilities. Finally, in an attempt to be as specific as possible, we lay 12 pinpointed predictions about the Valley’s future, for better or for worse.

The Four Critical Influences

There are a number of factors that influence economic development in the Valley either directly or indirectly. The following four factors are among the most critical influences.

Location: The greatest influence on location will be access to transportation routes and systems. Interstate 91 and the Massachusetts Turnpike continue to be the economic spines of the Valley. An examination of where growth has occurred, and is likely to occur, overwhelmingly points to the influence of this network. And yet, these roads have also contributed to an increased scatterization of our industrial assets. Indeed, we can now find industrial activities in former farm lands in Hadley, Deerfield, and Whately. We regretfully predict that this scattered approach will continue.

We do admit a strong bias toward placing our industries in center cities. The Valley currently has more than the equivalent of three Prudential Towers of empty red brick mill space in center cities ranging from Springfield to Holyoke, to Colrain. Unfortunately, an overwhelming number of these mills are beyond redemption and are probable candidates for demolition. A number of factors lead us to this prediction. Most of these mills are too big, are too costly to renovate, require extensive environmental clean up, are surrounded by residential or declining areas, and have access problems. In the absence of an infusion of public and private funds, the cost of improving these sites will continue to escalate.

There will be industrial growth in the Valley in several areas. The most likely growth area is Westfield’s Summit Lock Industrial Park. With plentiful water and sewer capacity, permits in place, easy access to interstates, rail and air transportation networks, and a pro-active planning assistance program in place, we predict that this park will fill quickly. The Deerfield/Whately area is also prime. The growth of Yankee Candle, in Deerfield, along Routes 5 and 116, and the expected expansion of Millitech along the Deerfield/Whately line will act as the stimulus. It is interesting, but not necessarily surprising, that this growth is being fueled by University of Massachusetts stimulated research and development efforts and, in the case of Yankee Candle, local business acumen. The University Office Park in Hadley, Agawam Industrial Park, and the Westover Park will see growth as well.

In short, we predict more movement out of the older centers and to the new parks. While this may be positive in terms of individual company needs, it is harmful to urban revitalization and to the provision of jobs for inner city residents.
that cannot easily commute, as well as to the maintenance of a strong urban tax base. We firmly believe that this trend of "Greenfield" development should be curtailed.

Land and Buildings: The availability of land suitable for development in center cities continues to be a problem. It is practically impossible to find a 100 acre parcel that is zoned for industry with water and sewer systems in place, is within easy access to inter-states, and is environmentally clean with its permits in place. With the exception of Chicopee and Westfield, we cannot point to any other major city that could meet the requirements. In Springfield, the largest city in the Valley, it is hard to find a clear fifty acre site. It is little wonder that we are looking to develop less urban and rural areas in the Valley. If the current trend continues, the older industrial areas in center cities will increasingly resemble red brick moonscapes.

Old mill structures, however, do not offer any easy solutions to the land crisis. These sites offer little in terms of cost efficiencies. Furthermore, trends in industrial development strongly favor campus style parks with single story flexible space. Manufacturers often comment that vertical processes add almost 25% to the cost of production. Old mills rarely meet the revised health and safety standards and factors such as the requirements for the Americans with Disabilities Act. Often it is cost and time effective to build new rather than renovate the old.

There is also the push factor at work. If we take Hatfield, Deerfield and Whately, for example, we are able to find 100 contiguous, environmentally clean acres with interstate access and the capacity for water and sewer systems. These characteristics match the production needs of industrial developers.

In short, from a developer's point of view, the move to the "greenfields" makes sense. From the municipal planners perspective, the decision is devastating to the...
"brownfields." This dilemma will continue.

_Labor:_ The Valley is in for quite a surprise. The image of a blue-shirted, white male, wearing a union patch on his baseball cap, is still with us. This image, however, no longer matches reality. Unions, once powerful, are but a shadow of themselves. In Massachusetts, less than 20% of the workforce is unionized, and the percentage is falling. The notion that companies need to be leaner in order to survive the recession has expressed itself in the number of job skills required of the workers. Henry Ford's mind-numbing assembly line process has gone the way of the Edsel. The worker is now expected to be flexible, multi-skilled and highly trainable. David Birch from MIT predicts that a high school graduate can expect between seven and thirteen jobs in his/her lifetime. Each of these jobs may require retraining, new skills and new knowledge. The theme of continued lifetime learning plays a crucial role for the American worker.

Who, then, are the new workers in the Valley? It is not the proverbial white male! Indeed, the white male worker is likely to be in the minority. Demographic trends indicate the majority of workers entering the workforce between now and the year 2000 will be immigrant, minority and/or women. These workers have unique cultural responses to the workplace which needs to be recognized. They may also have educational and training needs that are currently not commonly offered either at work or in the local school system. It appears to be inevitable that the workplace will need to adapt. The new breed of worker is likely to need language training and job culture education. They are also likely to have young children at home and may require assistance getting to and from the workplace. The notion of skills and expected behavior is also important. Technical skills, however, will be less important than basic job skills such as reading, writing and word processing. In other words, companies are looking for a basic education level and a healthy work attitude.

_Capital:_ The Valley continues to have an apparent shortage of working capital. There are many factors that are contributing to this problem. These include the residue of the Reagan/Bush era banking crisis, international currency fluctuations, and tightening lending standards. Factors specific to the Valley area as follows:

1) We are becoming a region of national banks. As a result, our lenders no longer have a commitment to the region or rely on the region's health for their own growth and profitability. Furthermore, banks from afar can provide services for the stable, successful firms in the area while leaving out those with less of a track record.

2) The cost of doing business has changed dramatically since the 1970s and 1980s. Even during the high-tech boom years, start-up costs often meant a personal computer and a garage to work from. Today, firms dealing with biotechnology or polymers, for example, require millions of dollars in capital investment simply to get it through the gestation stage. The most perplexing problem in terms of capital relates to the small firms that require less than a million dollars. This group has been, and continues to be, frozen out of the loan market. Furthermore, there appears to be little relief in sight. We continue to feel the crunch.

_Assets and Liabilities_

_Agents:_ The Valley represents a combination of values that are both urban and rural. Our businesses feel quite comfortable both in Boston and New York. At the same time, the area is still substantially marked by small towns that have retained the rural flavor of traditional New England. The intermingling of production centers, finance centers, academic centers, and cultural centers in one region is a rarity across the United States and is an asset that we frequently fail to appreciate. Each of these has an important role to play in the future economy of the Valley.

The Valley is an area of balanced growth. Our economy reflects a manufacturing, service, retail, academic, and governmental base. The decline of one of these sectors, while distressing, has not caused us, nor is likely to in the future, to become a Youngstown, Gary or Wheeling. The results of this balance are that we continue to grow less rapidly economically than the Boston area in the good times, and that we suffer less in the bad times.

Our transportation and communication systems are terrific. Our north-south and east-west movements are the envy of many other regions. Indeed, our major roads are placed exactly where they should be. And where they are not, and there are problems (i.e., Route 9 between Northampton and Amherst), they are a wonderful growth control mechanism that is preventing growth from occurring where it shouldn't. Similarly, our airports are extremely valuable. How many regions can offer an international passenger airport (Bradley), an emerging freight port (Westover), an inter-regional airport (Barnes) and a pleasure port (Northampton)? These facilities are critical in terms of international trade. They are equally
important in terms of the psychology of connectiveness: one can move from the Valley across the globe with relative ease. Finally, our phone system is second to none. Springfield’s nexus of local, regional and international lines and, as well, the lines of all major private companies, is second to none in the United States. Indeed, for any company requiring “guaranteed” phone access, Springfield alone, in the United States, represents the best opportunity.

There is an opportunity in the Valley to move from a garage to large factory spaces without extensive disruption to production. We have quality, inexpensive space in a wide variety of configurations. We also have plentiful water, environmentally sophisticated sewer systems, and electrical power companies, such as Western Massachusetts Electric, that are willing to work with companies to lower costs. Together these present a picture of a region that welcomes industry in harmony with its quality of life.

Liabilities: The liabilities in terms of land and capital have been previously mentioned. Beyond these, the foremost liability is the non-aggressive, seemingly non-competitive nature of many of the Valley's citizens. We don't welcome Walmarts, don't want an increased military presence at our airports, can't agree on the economic re-use of Northampton State Hospital, don't want to improve the Route 9 corridor, and make it difficult for our professors to create spin-off companies. Further, we constantly elongate and complicate the development approval process. In short, we like ourselves as we are even if it means that we are not as prosperous or healthy as other regions.

Predictions

Given all of the above, what do we predict? We believe that the following 12 trends are in place that will shape the industrial base of the Valley for years to come.

1. Our “game industries” will stay and prosper. However, they will need some governmental assistance on site related issues. We should be prepared to assist.

2. Our paper industries will stay. However, it is more due to historical investment patterns than to their happiness here. The cost of replacing their capital facilities is simply too expensive. Our challenge is to help them to expand in the Valley. No easy task.

3. We are worried about the future of Smith and Wesson. Changing markets, absentee owners, and excess capacity are the causes of our concern. We need to make the company very happy with its Springfield home. This company is a prime candidate for relocation outside the Valley.

4. The tap and die and tool making industries will be smaller, employ fewer people, be more
dependent on high technology, and be more export oriented. Turbulence is expected here as this industry goes "head to head" against European Community competitors.

5. We will not attract any significant number of firms from afar. We neither have the land nor the available labor force. Ironically, the two largest outside firms attracted to the Valley in the last fifteen years, Merrillat and Sundor, are closing up shop.

6. There will be further spin-offs from the University of Massachusetts. However, they will be slow in coming, slow to produce, and will require highly educated and skilled labor. It will be well worth the wait.

7. Yankee Candle will continue to grow and prosper. However, we predict that the company's manufacturing and warehousing operations will shift to other locations.

8. Millitech will grow, prosper, and create spin-offs of its own. Indeed, Millitech, we predict, will create more spin-offs in the next decade then either the University or any other single firm in the Valley. It could also serve as a magnet for other similar companies.

9. The Agawam Industrial Park and Summit Lock will both be nearly full in the next five years. The Westover Park and University Park (Hadley) will expand, albeit at a slower rate. The Chicopee River Technology Park will not be close to startup in the next five years.

10. Barnes Airport will need either state or federal aid to remain healthy. We predict a downsized military presence and less federal funds for the facility unless intervention occurs.

11. The overwhelming majority of our red brick mills will be vacant and roting. As they remain in place, they will contribute to an image of decay and of a declining economy. We will see them every day but will do nothing about them.

12. We will have a smaller industrial base. However, it will be more competitive, more export oriented, and less labor intensive. It will also be more prosperous.

A Concluding Note

We are bullish about the Valley. Of all of the areas in the United States where we have worked, it is the most conscious of the need to promote quality products, to grow its own industries, to maintain a planetary perspective concerning the environment, and, above all, to create a strong quality of life. We cannot argue with this perspective.

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