

Exclusive: How Tampa Bay can score more wins in this \$150B industry

Margie Manning, Finance Editor, *Tampa Bay Business Journal*, January 20, 2017

As manufacturers — including companies that make medical technology — consider moving operations abroad back to the United States, Tampa Bay is well-positioned to get its share of those projects, a new study shows.

Still, there are steps the area could take to boost its prospects, said John Boyd, principal of The Boyd Company Inc., a location consulting firm headquartered in Princeton, New Jersey.



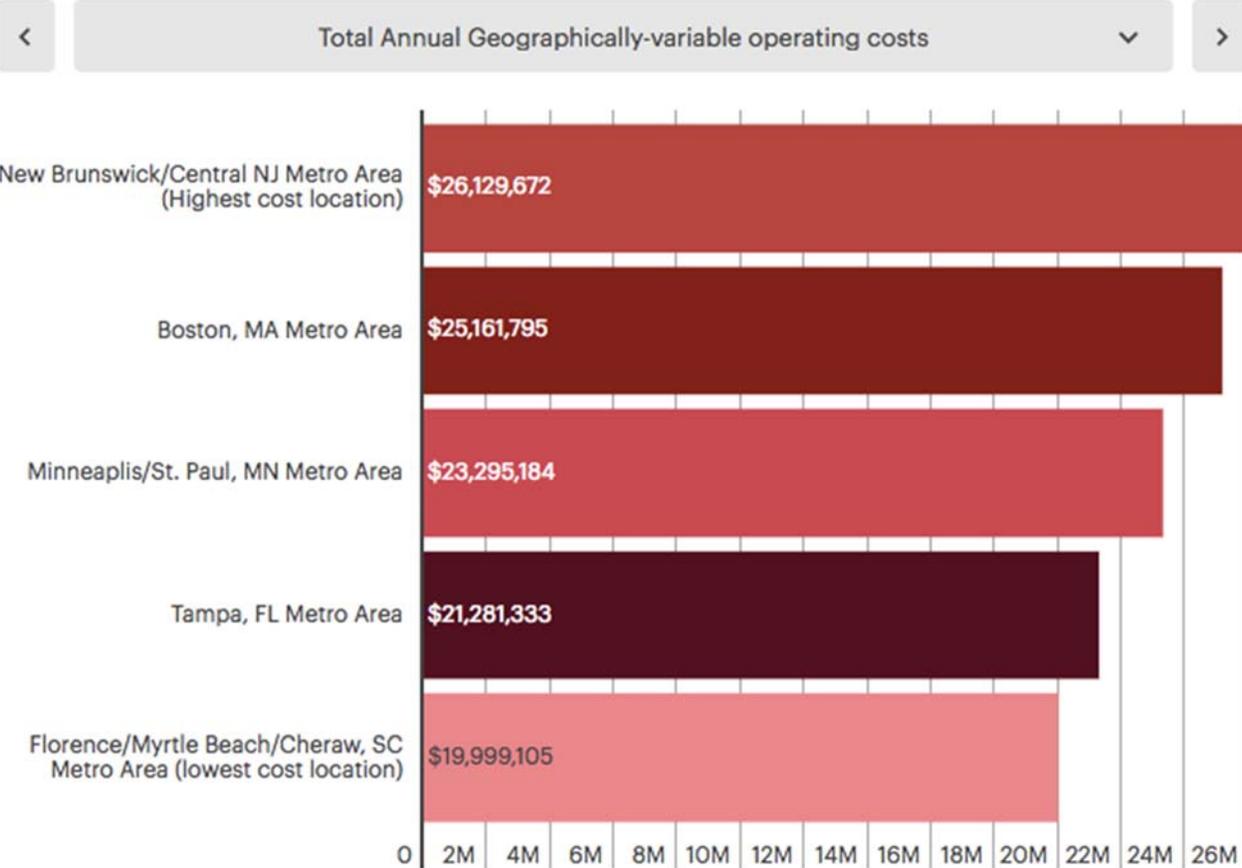
Tampa workers at Xcelience, a division of Capsugel, at a tablet press, preparing to turn powder into tables.

Keeping operational costs such as taxes low and continuing to emphasize workforce training will help the Tampa area compete, Boyd said.

The \$150 billion medical device industry already is a key high-tech driver of the economy in Tampa Bay, home to companies such as Synergy, Quest Diagnostics, Covidien and Xcelience, a division of Capsugel, among others. The sector produces roughly \$1.3 billion in revenue in Tampa Bay, the Boyd study said.

The study shows Tampa ranks fourth-lowest among 10 leading med tech centers in the U.S. for total annual operating costs for a hypothetical 130,000-square-foot production plant employing 275 hourly workers.

What it costs to operate a medical devices plant in Tampa



SOURCE: The Boyd Company, Inc. Princeton, NJ

As health care costs overall have increased, the medical device industry has become especially cost-sensitive, and “improving the bottom line on the cost side of the ledger is far easier than on the revenue side,” the study said.

Some companies say manufacturing in the U.S. historically has been more expensive than overseas. But a Trump administration call for “reshoring,” or bringing manufacturing jobs back to the U.S., is resonating, Boyd said.

“Our clients are buying into the idea that the nation’s business climate will be less regulated and more business friendly under President Trump,” Boyd said.

A 2.3 percent excise tax on medical device manufacturers that’s included in the Affordable Care Act is likely to be one of the first provisions of the law that is repealed, he said.

In addition, growing concerns over the theft of intellectual property abroad and expanded Federal Communications Commission oversight over wireless medical device technologies are factors that would make manufacturing in the U.S. more attractive than in the past.

Companies in the medical device industry want to be in low-cost, right-to-work markets, and while Tampa Bay fits that bill, it will face stiff competition from the northeast South Carolina market, the area between Florence and Myrtle Beach. That area ranks lowest of the 10 markets for the cost of operating medical device production plants and the entire state of South Carolina is a leader in workforce training, Boyd said.

His advice is to know the competition.

“Recognize who you are competing with. Workforce training is the No. 1 thing they are doing right, so Florida has to continue to support workforce training. Also keep operating costs low. To [Mayor Bob Buckhorn’s] credit, a big priority is lowering property taxes and that’s a smart place to focus on,” Boyd said.

Incentives play a role, as do politics.

“Companies that currently have a brick-and-mortar presence in Florida now are looking at shifting some production to states like South Carolina because they can pick up the support of additional senators or congressmen,” Boyd said. “Fortunately for Tampa Bay, Sen. Nelson and Sen. Rubio are very responsive to the needs of the health care community in Florida.”

Even within Florida, where Tampa Bay has longtime relationships with communities such as Orlando and Gainesville, there are new forces at work, Boyd said.

Naples, which is home to Gov. Rick Scott, as well as executives from Hertz Global Holdings (NYSE: HTZ) and other corporations, is becoming the state’s new power center. “A lot of deals are made on the beaches in Naples,” he said.

“We’re seeing new growth potential with Lee and Collier counties,” he said. Much of that is related to a \$300 million, five-year expansion at Gulf Coast Medical Center. “A lot of industry analysts say that within five years the Interstate 75 corridor will be the orthopedic capital of the world.”

A big factor in Tampa Bay’s favor include the \$3 billion mixed-use development in downtown Tampa planned by Tampa Bay Lightning owners Jeff Vinik’s Strategic Property Partners and Cascade Investment LLC.

“Vinik has the potential to be a private sector magnate, the way Lamar Hunt [real estate developer and founder of the American Football League] was for Kansas City in the 1970s,” Boyd said. “That’s broader than the medical device industry, but all the sectors Tampa Bay is targeting.”