

Greater Reading Chamber

COMMERCE

QUARTERLY

WINTER 2016

ECONOMIC OUTLOOK 2016

**TOO MANY HATS.
TOO LITTLE TIME.**

REGULATORY
QUICKSAND

economy out of the recession and remains Berks County's largest sector by employment with over 30,000 workers and 500 employers. As opposed to some areas of the country that



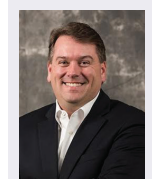
DAN FOGARTY

are closely tied to commodities and energy production, our manufacturing sector is well diversified and most area employers continue to project strong demand for their products. As a result,

East Penn Manufacturing, Cambridge-Lee Industries LLC, F. M. Brown's Sons, Inc. and many other manufacturers are actively investing in their local production facilities. While Fogarty and other business and community leaders do not expect our overall local manufacturing workforce to grow in 2016, they do project 700–1,000 new entrants will be required to replace experienced baby-boomer manufacturing workers who are now retiring in larger numbers.

ENERGY

"For 2016, the Energy Information Administration (EIA) predicts that, on average, prices for heating oil, gasoline, diesel and natural gas will remain at the current levels or drop slightly," says Scott R. Burky, chief operations officer of The Rhoads Energy Family of Companies. "Our research leads us to believe that energy costs in Berks County will mirror those national trends."



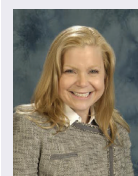
SCOTT BURKY

In early October, the EIA predicted that, on average, oil heat users would pay 25% less and propane users would pay 18% less for heat this winter, compared to last winter. Natural gas prices were also down, albeit by a smaller margin. Businesses that operate vehicle fleets have also found welcome news at the pump: gas prices in Berks are hovering around \$2.25 per gallon—nearly a dollar less than the prices from a year ago. Burky advises one warning, though. "Lower prices won't last forever. Historically, energy prices have been subject to spikes from unforeseen world events, supply and demand, weather and other factors. That's why we advise every business to view the current pricing environment as an opportunity to explore a long-term energy strategy."

Burky suggests the strategy may include upgrading inefficient heating and cooling

equipment, diversifying the types of energy a business consumes, implementing conservation techniques, or exploring alternative fleet fuels and vehicles, a successful implementation strategy recently employed by Rhoads Energy for some regional school districts. Businesses are also starting to upgrade their fleets to run on dual fuel—gasoline and propane. The bottom line: Enjoy lower energy costs now, but plan for increases that may be coming in 2017 or beyond.

UGI customers in Berks County and across Pennsylvania have benefited tremendously from the clean, local, plentiful supply of low-cost natural gas from the Marcellus Shale region. "In most cases, natural gas bills for Berks businesses are over 40 percent less than they were just a few years ago. Most analysts expect stable prices to continue into the foreseeable future," explains Becky Eshbach, UGI Director of Marketing Programs and Strategy.



BECKY ESHBACH

"This 'buyer's market' for natural gas has led to a significant increase in demand among residential and business customers," notes Eshbach. "More than 55,000 residential customers across UGI's service area have converted to natural gas over the past six years. In 2015, UGI also experienced a record number of new commercial additions, with nearly 2,400 new and converting businesses becoming natural gas customers." In addition to the traditional benefits provided by clean, efficient natural gas appliances, businesses have taken advantage of a number of new technologies that provide additional savings and environmental benefits. Examples include Combined Heat and Power (CHP), which uses natural gas to generate electricity and useful heat, and Compressed Natural Gas (CNG) for vehicles, providing a clean and economical alternative to fleets that can take advantage of a central fueling station.



JIM KURTZ

Jim Kurtz, president of RER Energy Group, believes that the U.S. solar industry has finally gone mainstream. An 80% decrease in module prices over the last five years, working in tandem with the Federal Investment Tax credit of 30%, has driven some impressive growth statistics.

"First is the fact that 40% of all new domestic energy generation added in the first half of 2015—more than any other technology—came from solar," states Kurtz. "With another 5,000 MW of new capacity projected before we ring in 2016, the U.S. solar industry is poised to reach nearly 8,000 MW installed for the year, bringing the total solar energy capacity nationwide to 28,000 MW, or enough to power 4.5 million American homes."

The medium-term growth outlook also looks bright. The Solar Energy Industries Association expects the addition of another 20,000 MW of solar generating capacity over the next two years, doubling the total solar capacity that existed just 12 months ago.

"That expanding installation base means more than just clean, renewable energy—it means jobs as well," beams Kurtz. "A January 2015 Solar Foundation report predicted that the industry would add 36,000 jobs this year, a 20.9% increase that would bring the total to 210,000 solar workers nationwide, with 80,000 of those hired since 2010.

"Pennsylvania boasted 2,800 solar-related jobs in 2014, and that number is expected to climb when the final 2015 figures are released. Those workers contributed, in part, to our 12th best standing in the nation, with 249 MW of solar currently installed in the Keystone State," asserts Kurtz.

"With businesses able to lock in long-term effective energy prices as low as \$0.03 to \$0.04 per kWh, solar continues to be a good investment for Pennsylvania businesses seeking to save money while also developing a significant sustainability element to their operations," says Kurtz.

LOGISTICS, TRANSPORTATION AND WAREHOUSING

Despite the construction of large new facilities near I-78, Berks County has a slightly lower concentration of Transportation and Warehousing employment than many surrounding counties. The I-78 project, also referred to as Berks Park 78, is an industrial business park spread across a little more than 300 acres, adjacent to interstate 78 in Bethel. Within this park, two large distribution companies have emerged, PetSmart

Continued on page 10