

[Business Day](#) NYT

Boom in Energy Spurs Industry in the Rust Belt

By [NELSON D. SCHWARTZ](#)

SEPT. 8, 2014

YOUNGSTOWN, Ohio — Waist-high weeds and a crumbling old Chevy mark the entrance to a rust-colored factory complex on the edge of town here, seemingly another monument to the passing of the golden age of American industry.

But deep inside the 14-acre site, the thwack-thwack-thwack sound of metal on metal tells a different story.

“We’re holding our own,” said Greg Hess, who is looking to hire draftsmen and machine operators at the company he runs, Youngstown Bending and Rolling. “I feel good that we saved this place from the wrecking ball.”

The turnaround is part of a transformation spreading across the heartland of the nation, driven by a surge in domestic oil and gas production that is changing the economic calculus for old industries and downtrodden cities alike.

Here in Ohio, in an arc stretching south from Youngstown past Canton and into the rural parts of the state where much of the natural gas is being drawn from shale deep underground, entire sectors like manufacturing, hotels, real estate and even law are being reshaped. A series of recent economic indicators, including factory hiring, shows momentum building nationally in the manufacturing sector.

New energy production is “a real game-changer in terms of the U.S. economy,” said Katy George, who leads the global manufacturing practice at McKinsey & Company, the consulting firm. “It also creates an opportunity for regions of the country to renew themselves.”

The environmental consequences of the American energy boom and the unconventional drilling techniques that have made it possible are being fiercely debated nationwide. New York officials have imposed a moratorium on hydraulic fracturing, or fracking, because of concerns that the fluids injected into the shale to free oil and natural gas deposits might contaminate the local drinking water.

Although that danger worries environmentalists here as well, there has been much less opposition because residents are so desperate for the kind of economic growth that fracking can bring, whatever the risks.

Vallourec, a French industrial giant, recently completed a million-square-foot plant in Youngstown to make steel pipes for the energy industry, the first mill of its kind to open here in

50 years. The facility, which cost \$1.1 billion to build, will be joined next year by a smaller \$80 million Vallourec plant making pipe connectors.

The change is evident in the once-moribund downtowns of northeastern Ohio cities as well as in the economic data for the state as a whole.

Ohio's unemployment rate in July was 5.7 percent, well below the national average of 6.1 percent. That's a sharp reversal of the situation four years ago, when unemployment in Ohio hit 10.6 percent, significantly above the country's overall jobless rate at the time, as manufacturers here and elsewhere hemorrhaged jobs. In the Youngstown area, the jobless rate in July was 6.7 percent, compared with 13.3 percent in early 2010.

"Both Youngstown and Canton are places which experienced nothing but disinvestment for 40 years," said Ned Hill, a professor of economic development at Cleveland State University. Now, "they're not ghost towns anymore. You actually have to go into reverse to find a parking spot downtown."

Youngstown and surrounding Mahoning County is hardly Silicon Valley or even Pittsburgh, which long ago bade farewell to its industrial past and sought out growth in new sectors like health care and education. Broad swaths of Youngstown look almost rural, the result of a decade-long campaign to tear down abandoned homes and factories, letting sites that were once eyesores return to nature.

And the new factories that have gone up — like Vallourec's new complex, or a \$13.2 million plant that Exterran opened in May 2013 to make oil and gas production equipment for local customers — employ only a fraction of the workers who once labored at Youngstown's mills. Vallourec's state-of-the-art pipe mill has about 350 workers; the old Youngstown Sheet & Tube plant that once stood on the site had a work force of 1,400 when it shut down in 1979.

But the improvement is undeniable, especially to those who grew up here. "It's a night-and-day difference," said Robert E. Roland, a Youngstown native who moved away when he was 18, and is now managing partner at one of Canton's biggest law firms, Day Ketterer. "It was extremely depressed, and nobody was downtown except for people who were down and out."

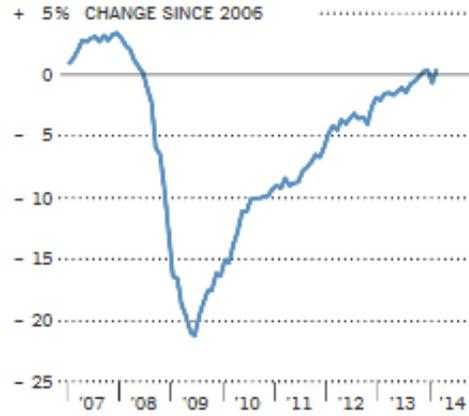
A 2013 McKinsey study co-written by Ms. George estimated that production of shale gas and so-called tight oil from shale could help create up to 1.7 million jobs nationally. Many of those jobs are expected to end up in places like this, in part because they are close to newly developed fields like the nearby Utica shale formation.

The United States still imports hundreds of billions of dollars more in manufactured products than it exports. But industrial production has rebounded strongly in the wake of the Great Recession, up roughly 20 percent since the end of 2009. Employment in the factory sector, after a steep fall during the downturn, has also recovered. Since hitting bottom in early 2010, manufacturers have added nearly 700,000 jobs, bringing total factory employment in the United States to 12.2 million.

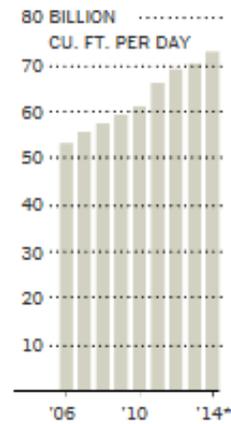
Signs of a Comeback

Industrial production is growing steadily again after plunging during the recession.

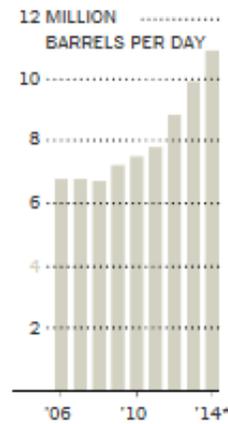
Industrial production in the United States



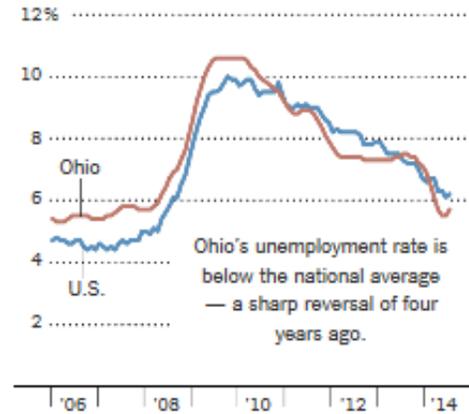
Gas production in the U.S.



Oil field production



Unemployment: Ohio vs. the national average



*Average for first five months

Sources: Federal Reserve, U.S. Energy Information Administration, Bureau of Labor Statistics

At the same time, cities like Youngstown and Canton are also beginning to emulate the advances of places like Cleveland, which went through an earlier revival as more white-collar jobs arrived.

Mr. Roland, for example, is planning to hire lawyers in Youngstown and open a branch there. “I never thought I’d consider being in business in Youngstown,” he said. “But we think this is a market for us and we need a foothold.”

Downtown Youngstown’s new federally financed center for advanced manufacturing is drawing notice as well, including a mention in President Obama’s last two State of the Union addresses.

Consumer-oriented businesses that survived the lean years are also enjoying a resurgence. Kravitz Delicatessen in the nearby suburb of Liberty has a Vallourec sandwich on the menu (corned beef and pastrami with Swiss cheese and coleslaw), a testament to how much business the 75-year-old Jewish-style deli draws from green-vested Vallourec workers, and from catering corporate events.

During the construction of the Vallourec plant, “you’d come in at lunch and half the people were wearing green,” said the deli owner, Jack Kravitz. “The Utica shale brought in Vallourec, which brought in more workers and helped me hire more people.”

In the energy surge, Canton has emerged as the center for white-collar jobs associated with the energy industry, like engineers, surveyors and other specialists. About an hour’s drive from both Cleveland and Youngstown, Canton borders the rural region farther south in Ohio where increasingly large quantities of natural gas are being pumped out of the Utica shale.

Rettew, a nationwide engineering services firm based in Lancaster, Pa., first opened a field office in Canton in August 2011, with a handful of employees driving in from Pennsylvania and staying in local hotels from Sunday to Thursday.

Today, Rettew has 35 employees in Canton. Most of these jobs pay \$50,000 to \$100,000, which goes far in the area, especially considering the relatively cheap housing, said Jake Wilburn, Rettew’s regional manager in Ohio.

The economic impact in rural areas of Ohio is less visible but equally significant. Mostly hidden from view behind trees off a two-lane road in rural Harrison County is an Erector-setlike maze of tanks and distillation towers, one of three huge plants in the area built by Access Midstream, an energy firm based in Oklahoma City.

Over the last two years, the company has spent \$1.8 billion on new infrastructure to help refine and separate the raw hydrocarbons that come out of the Utica shale.

“This is a 50-year asset,” said Scott Hallam, who oversees Access’s efforts in the Utica shale. “We wouldn’t be spending billions here if we didn’t believe that.”

While the energy industry is looking forward half a century, in Youngstown, a real estate developer, Dominic Marchionda, is trying to bring back something the city hasn't had in nearly that long: a place to stay downtown.

With help from investors in New York, Mr. Marchionda is planning to turn a landmark 1907 building that was once home to the executive offices of Youngstown Sheet & Tube into [an upscale hotel](#). Construction is expected to begin in mid-2015.

The son of a steelworker, Mr. Marchionda, 54, witnessed Youngstown's precipitous decline, but has become a believer in its nascent renaissance. "I wanted to leave so badly when I graduated high school and the steel mills were closing," he said. "It's nice to be a part of bringing the city back."

Correction: September 11, 2014

A picture caption on Tuesday with an article about a rebound in manufacturing in the Rust Belt as a result of a resurgence in energy production misstated the year when the straight-side press shown with Greg Hess, plant manager at Youngstown Bending and Rolling in Youngstown, Ohio, was built. It was in 1897, not 1819.

[The Opinion Pages](#) | Letter

Clean Energy and Jobs

SEPT. 11, 2014

To the Editor:

Re "[Boom in Energy Spurs Industry in the Rust Belt](#)" (front page, Sept. 9):

Clean energy's crucial role must not be overlooked in any discussion about the resurgence of manufacturing jobs in the Midwest's energy sector.

In Stark County, Ohio, for instance, at least 15 companies involved in the wind energy supply chain employ hundreds of workers who manufacture parts like turbine blades, bearings for gear boxes and custom hinges.

In Canton, the county seat, wind technicians working on projects like these earn an average yearly salary of more than \$86,000, according to a 2012 Natural Resources Defense Council [report](#).

These jobs — and thousands more like them in Ohio’s growing solar and energy efficiency industries — do more than just expand the Midwest’s manufacturing base. They also undercut the need for hydraulic fracturing in the Utica Shale formation in the first place.

BOB KEEFE
Executive Director
Environmental Entrepreneurs
Washington, Sept. 9, 2014