La. urged to compete for chemical industry

By BOBBY LAMB
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The chemical industry is entering a sit-down stage, and Louisiana could miss a golden opportunity in getting its share of expansions if the state and its officials do not improve the "overall image" toward business development, J. Roger Hirli, president and chief operating officer of Occidental Chemical Corp., said Wednesday.

In a town for a Rotary Club speech, Hirli said the chemical industry must rise to the challenge of improved business climate, but Louisiana must have consistency in tax policy, utility rates and environmental regulations to attract industry.

The state, Hirli said, "is one headquarters for commodity chemicals, and Louisiana is a third largest chemical producer in the country."

"Louisiana can and should stimulate the use of existing chemical technology to grow the industry," Hirli said. "Movement into downstream markets, such as making polyurethane foams, plastics, pharmaceuticals, even biotechnology, could reinforce the state's chemical industry image."

However, the industry is not convinced nor sold on the idea that Louisiana is moving toward an improved downstream investment. The industry also fears "inadequate" taxes may one day be applied to energy users to cushion the state's budget losses from energy producers.

Hirli said Louisiana has "good" natural resources, abundant energy sources, but the state's sit-down climate is not attractive to the chemical industry.

"We need a plan for development," Hirli said. "We need a broader plan for development, a plan that looks at the overall business climate plays a key role.

"The key is a steady firm industrial tax exemption as a tool for attracting new industry and helping existing industry," Hirli said.

Other factors are not conducive to attracting industry, Hirli said. Industry pays a 49 percent share of state and local taxes while individuals pay 49 percent. The ratio is reversed in most other states.

"In order to attract the industry, Louisiana must make itself attractive," Hirli said.

"Our downstream industries are important to commodity chemical producers, he said. "Electricity represents 50 percent of our operating costs, as well as our caustic soda, which OxyChem produces at two Louisiana sites. Utility rates in Louisiana are among the highest in any state where chlor-alkali facilities are located."

Occidental, like other chemical companies, sells the production of "cogeneration" or on-site production of its own power for its plants. Hirli said the cogeneration plant was engineered for the chemical industry in 1981 and is constantly re-engineered.

Occidental is "indifferent" to cogeneration now, but any modest increase in its rates with Louisiana Power and Light could push Occidental to cogeneration only. Hirli said the cogeneration because 15 percent of the company's electrical load is accounted for by the chlor-alkali industry, and the utility maintains that the load would lead to too heavy a burden on residential customers.

"The chemical industry also is concerned about stability in environmental regulations, Hirli said. "We have had the same regulations for the last two years. In 1974, in 1976, industry profits were in the 35-40 percent range, and 1987 earnings should increase by 25-30 percent with steady growth through the 1980s."

Faced with unprecedented charges from the national Government for energy and other raw materials, increased global competition, overcapacity and outdated facilities, "our industry went to work to address the issues," Hirli said.

Companies structured by closing marginal plants and modernizing others, reducing work forces and diversifying product lines. In Louisiana, the state has lost in the chemical industry since employment peaked at 35,000 in 1981.

"We would like to get bigger in Louisiana and get other people there," Hirli said.

The spinoff from the industry contributes to more than 100,000 other jobs in the state.

"Like any necessary surgery, it was painful. The important thing is that it was successful. The patient has recovered," Hirli said.

Occidental is moving its headquarters from Marietta, Conn., to Dallas, Texas, has most of its investment in Louisiana.

The firm employs 1,000 people in Louisiana with a $30 million payroll and invested $115 million in capital improvements in Louisiana plants in the last two years.

In its heyday of the 1970s, it was not uncommon for the chemical industry to build a billion dollars into a plant, Hirli said. That size investment is no longer likely, but Hirli said he would like to see a whole series of million and $40 million investments by chemical companies.

"We would love to get bigger in Louisiana and get other people here," Hirli said.