

## **After Nine Years In Mexico, East Hartford Firm Reshores Work**

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EAST HARTFORD — Nine years ago, Scott Livingston's family-owned precision manufacturing company established a beachhead in Sonora, Mexico.

The triangle of land south of Arizona that runs west into the Gulf of California had been eyed as fertile land for aerospace manufacturers wanting to cut their labor costs. Horst Engineering, Livingston's company, jumped in.

Now it is retreating.

"Mexico still has a ways to go in developing its workforce," Livingston said in an interview Wednesday, explaining that he closed the Mexico facility in February and is ramping up work in his facilities in Connecticut and Massachusetts to take on that production.

In 2006, Horst Engineering built operations in Mexico for 50 workers. It had been overwhelmed with the supportive environment for manufacturing and how much of a source of pride the industry was for locals there.

Over and over, people promised Livingston that the established aerospace cluster in Phoenix, Ariz., through Tucson would stretch southward into Sonora, developing a stretch of dense precision manufacturing work similar to the Connecticut River Valley.

That vision didn't pan out in time for Livingston. Labor costs were much lower there, but other costs were higher or comparable. Then Horst, which, Livingston said, makes "parts for all over the aircraft," needed to grow but could not find the people.

"Some earlier assumptions about how quickly their workforce would develop haven't come to fruition," Livingston said.

The supply chain, too, proved unreliable, he said.

"That did not pan out the way we and others expected," Livingston said. "Some of the work planned was not possible. ... The progress was not enough for us to continue to invest."

Those two reasons — workforce and supply chain — are often cited by U.S. companies when they reshore operations from abroad, according to the Reshoring Initiative, a nonprofit that collects data on company moves from abroad.

Another report, from Deloitte, said that rising labor costs in the developing world and lower energy costs in the United States have started to narrow the gap in production costs that push companies to offshore operations.

The reshoring nonprofit's latest report shows that since 1997 companies have brought nearly 5,400 jobs back to the United States from Mexico, the second-largest source of reshored jobs after China.

Bringing those jobs back to the high-cost Northeast is rare. The report shows that the highest number of jobs have returned to states like South Carolina, Texas, Kentucky, Georgia, Tennessee, Ohio and Michigan.

Looking back, Livingston said, it was a bold move to go to Mexico. His customers, major aerospace companies, were building up operations there.

"They were strongly looking at Asia," he said, "then they realized that there's some progress to be made there." Then it was Latin America. Now it is eastern Europe.

"Sometimes it's which direction the wind is blowing," Livingston said.

Horst Engineering has 95 employees at two locations in Connecticut, both in East Hartford. It has an additional 40 at a facility in Lynn, Mass. Livingston is building a satellite manufacturing space on Burnham Street in South Windsor, and he wants to double the space he has in Massachusetts.

In both states, he knows the labor costs are higher. But he also knows there's a skilled workforce and a talented cluster of suppliers.

"With an eye toward future return on investment," Livingston said, "it makes the most sense to move production from Mexico and expand in the U.S. where we have an established base of skills."