

Study suggests businesses benefitting from Marcellus Shale development

This column is presented weekly by the Public Education sub-committee of the Clinton County Natural Gas Task Force in an effort to provide accurate, up-to-date information on activities surrounding the Marcellus Shale formation and the natural gas exploration industry. For more information on Task Force activities, visit the Task Force page on the Clinton County government website at www.clintoncountypa.com.

University Park, Pa. -- A survey of businesses in two Pennsylvania counties where natural-gas drilling is occurring suggests that the Marcellus Shale boom is having a positive net effect on business activity.

Summarized in a fact sheet, "Local Business Impacts of Marcellus Shale Development: The Experience in Bradford and Washington Counties, 2010," the survey was part of a larger economic impact study being done by the Marcellus Shale Education and Training Center, a partnership between Penn State Extension and the Pennsylvania College of Technology in Williamsport.

Partial funding for the study came from the Pennsylvania Department of Community and Economic Development.

"The Marcellus Shale gas boom clearly has the potential to affect local businesses across Pennsylvania," said Timothy Kelsey, professor of agricultural economics in Penn State's College of Agricultural Sciences and a lead author of the publication.

"The survey results provide insights into what occurred in two of Pennsylvania's most active Marcellus Shale counties during 2010 and what other counties could experience as drilling activity increases," added Kelsey, who also serves as Penn State Extension state program leader for economic and community development.

Researchers surveyed 1,000 randomly selected businesses in each of the counties. Responses were received from 619 businesses -- 360 from Bradford County and 259 from Washington County. "The types of businesses responding generally were consistent with the actual business composition of each county's economy, making the survey fairly representative of actual conditions," Kelsey said.

Approximately 22 percent of businesses in Bradford County and 9 percent in Washington County reported changes due to Marcellus Shale development.

Nearly a third of Bradford County businesses and 23 percent of Washington County businesses reported increases in sales due to natural-gas drilling. Three percent of Bradford County respondents and 2 percent of Washington County respondents reported a drop in sales.

In regards to employment trends, about 90 percent of survey respondents said that natural-gas drilling has not changed their number of employees. Most of those reporting a change said that they have more employees due to natural-gas development.

A similar percentage reported that their ability to find and hire qualified employees has not changed, although this varied by county. About 13 percent of Bradford County businesses reported trouble attracting workers, compared to only 2 percent in Washington County. About 9 percent of Bradford County businesses reported greater employee turnover due to Marcellus activity.

Kelsey noted that differences in Marcellus-related sales and employment trends in the two counties likely were due mostly to the relative size of their populations and economies. Bradford County is largely rural with a population of about 60,000, while Washington County is much more urbanized and is home to more than 200,000 residents.

"The results suggest that the size of the host county is an important factor affecting the scope and visibility of impacts on businesses due to natural-gas drilling," he said. "The relative impacts likely will be greater in smaller counties, but this also means greater risk of a 'bust' when drilling activity slows."

The survey also showed that changes in business activity differed across business types. For instance, 80 percent of hotels and campgrounds in Bradford County reported changes due to gas-drilling activity, and 100 percent reported higher sales.

Higher sales also were reported by half of that county's financial businesses, 44 percent of retailers, 38 percent of eating and drinking establishments, and 33 percent of wholesale trade and business services firms.

Despite concerns about the possible negative effects of Marcellus gas drilling on tourism, tour operators, souvenir stores, tourist attractions and other tourism-related businesses did not appear to be affected. Twenty-nine percent of such businesses reported increased sales due to natural-gas drilling activity, while 71 percent reported no change. None reported difficulties in finding or retaining employees.

"However, the long-term impact on tourism still is unknown, since additional new well pads, pipelines and access roads have the potential to change communities enough to affect tourism," Kelsey said.

Kelsey cautioned that the survey offers just a snapshot, taken very early in the long-term development of the Marcellus Shale.

"The impacts on businesses may change over time due to the cumulative effects of drilling," he said. "It's also important to note that higher local business sales do not directly affect local tax collections by counties or most municipalities and school districts. This study does not change the need for continuous, long-term monitoring of how natural-gas development is affecting businesses, residents, communities and the environment."

"Local Business Impacts of Marcellus Shale Development: The Experience in Bradford and Washington Counties, 2010" can be found at <http://pubs.cas.psu.edu/freepubs/pdfs/ee0005.pdf> online. Alternatively, one free copy of this publication can be obtained by Pennsylvania residents from the Penn State College of Agricultural Sciences Publication Distribution Center, The Pennsylvania State University, 112 Agricultural Administration Building, University Park, PA 16802-2602; telephone: 814-865-6713; fax: 814-863-5560; or email, at AgPubsDist@psu.edu.



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