

Questions loom over status of shuttered McNeil plant

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The big cranes doing the heaviest lifting for the \$100 million in repairs and renovations to the still-idle McNeil Consumer Healthcare manufacturing plant in Fort Washington are gone.

Many employees in various departments show up daily, but they aren't making Tylenol, Motrin, and Benadryl, which are mostly absent from drugstore shelves in nearby Ambler as the cold-and-flu season approaches.

The heavy profits from those products are also missing from the balance sheet of Johnson & Johnson, the parent company - a major point made by corporate officials last week as they explained a disappointing third-quarter earnings report.

McNeil voluntarily stopped manufacturing at the Fort Washington facility in April 2010 because of production problems and dozens of product recalls for a variety of reasons. Between 300 and 400 people lost their jobs. The company declined to say how many work there now.

The McNeil division, which falls under the consumer-products umbrella of J&J, also has plants in Lancaster and Las Piedras, Puerto Rico, and those facilities continue to make over-the-counter medicines known the world over.

Eighteen months have passed since the shutdown, and great uncertainties exist, including when the Fort Washington plant will resume production. McNeil will have to satisfy terms of a consent decree approved by the U.S. District Court in Philadelphia and negotiated with the U.S. Justice Department. That five-year arrangement involves greater scrutiny from regulators, including the U.S. Food and Drug Administration.

To avoid bad publicity and lessen exposure to litigation, company officials remain hesitant to describe in detail the problems that occurred and any steps taken to solve them. Legal cases, reports from federal regulators, and interviews with former employees shed some light on problems that existed on the factory floor and in management offices - not just in Fort Washington but extending to J&J headquarters in East Brunswick, N.J.

One of the common problems involved reports of medicines smelling musty or moldy. Eventually, the odor problems were traced to pesticides used to treat wooden shipping pallets.

But in 2010, when the company was scrambling to diagnose the problem, it called Microanalytics, a small company in Round Rock, Texas, that specializes in detecting and identifying odors, according to a 2011 report by a special committee of the J&J board of directors that was submitted as evidence in a shareholder lawsuit.

Identifying causes should lead to remedies, but Microanalytics declined comment when contacted last week by The Inquirer.

People do not want their medicines to smell musty and moldy. They do not want tiny bits of metal in the medicine. They do want the mixtures to be correct and the mixing containers and tools to be cleaned properly beforehand.

All of those were problems that led to recalls of products made in Fort Washington. Two websites maintained by McNeil list 85 recalls, beginning in 2009.

The McNeil recalls cost J&J \$900 million, according to the corporation's 2010 annual financial report.

Several former McNeil employees say they believe the problems that resulted in the plant closing in 2010 can be traced to 2006 and J&J's \$16.6 billion purchase of Pfizer Consumer Healthcare.

Company news releases were quick to tout J&J's history of quality and performance, and forecast "synergies" - Wall Street-speak for job eliminations - that would save \$500 million to \$600 million by 2009.

A former McNeil worker, who asked not to be named, said the volume of work increased and staff decreased, including veteran plant managers. Younger replacements, even if they tried diligently, were not familiar with quality-control routines, the workers contend.

"When they leave, they take the routine with them," said the man, who needed anonymity to protect his severance and pension payments. "It can be a couple of little things that are let go and turn into problems, like machine parts wearing out."

The 2011 special committee report to the J&J board explains metals being discovered in medicine: "On April 8, 2010, small black particles were observed in 3 out of 24 bottles of Infants' Tylenol coming off a filling line at Fort Washington. The particles were subsequently determined to be comprised of acetaminophen, nickel, chromium, tin, and bismuth . . . A subsequent investigation determined that metal-on-metal wear of the pistons in equipment on the bottling line was the probable source of the particles."

In the midst of the tumult, J&J chief executive officer William Weldon visited the plant and spoke to workers, some of whom had never seen him before.

"The CEO called us 'sloppy, lazy workers' - those are the words I remember," said the former employee. "Leadership didn't take any of the blame."

Weldon could not be reached for comment. A J&J spokesman said via e-mail that in visits to McNeil facilities during the last two years, "Mr. Weldon has repeatedly thanked people for all their hard work and he has stressed the vital role they play in getting high-quality products back into the hands of our consumers."

The June report to the board of directors exonerated the board and senior management, but it confirmed former employees' comments about understaffing after the Pfizer acquisition and production of additional medicines commenced. The report said quality-control "headcount may not have increased sufficiently to adjust to this added complexity."

Erik Gordon, a University of Michigan business professor, follows the pharmaceutical industry and has for years.

"The people at that plant [Fort Washington], even the plant in Puerto Rico, know how to produce quality products," Gordon said. "It's not like everybody at that plant got stupid overnight. They were under tremendous pressure from the top to cut costs."

Dominic Caruso, J&J's chief financial officer, said this week that the company hopes that in 2012 repair costs decrease and production and revenue increase, though no one has said when the Fort Washington plant might resume making medicine for sale. The plants in Lancaster and Puerto Rico continue to operate under greater Food and Drug Administration supervision.

Sue Price had worked at McNeil, but her job was eliminated in 2008. Now she works there as a part-time contractor. Price was bitter when her job was eliminated, but she believes the mood at McNeil has improved under newly named president Denice Torres, a veteran J&J executive.

"She is communicating in a wonderful, cheerful, frequent way with the McNeil community," Price said. "They are trying to bring back some of the culture that was lost for a bit."