

TRENDLINES

The North Country Economic Newsletter

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LOCAL NEWS

Lake Placid Trolley a

Success: The trolley in Lake Placid continues to generate strong ridership. It carried 22,000 passengers in August, doubling service in just four years.

Local Agway Closing: After generations of service to the local community, Agway will close October 2. Its closure follows the recent arrival of the Tractor Supply Co., the largest retail farm and ranch store chain in the United States.

Target Nears Opening: Target will open its first store in Clinton County on October 12 at Champlain Centre. The store is expected to compete with Walmart and generate more than 150 jobs.

Motherhood Maternity

Opens: New mothers and mothers-to-be now have a place to shop at Champlain Centre. Located next to Old Navy, they carry clothing and accessories for the expectant mother.

New Furniture Store for

Downtown: Plattsburgh Kitchen Cabinet and Furniture Store has opened in the former Kriff's Furniture building in downtown Plattsburgh. Supplying furniture and cabinets from Hong Kong

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Our Developing Economy

by Colin Read

With a primarily rural location, the North Country's economic base has long been agriculture and manufacturing. Both industries are still important, but are playing a decreasing role in our local economy. The North Country has also gone through waves of high government spending, with the Cold War build-up, followed by a major base closing.

Since the North Country remains primarily rural, our infrastructures have been slow to respond to the evolving world economy. Of course, the global economy is evolving so rapidly that it would be difficult to respond too quickly, but we must respond as the global environment becomes increasingly competitive. One of our best responses, a 21st century communications infrastructure, for a number of reasons.

First, information provides economic and democratic power. It is the great leveler, allowing citizens to determine the truth for themselves. This democratization of knowledge, I believe, will do more for social and economic empowerment than any other innovation at any time in our history. I realize these are lofty claims that exceed even the empowerment of the printing press. We have already seen this great leveler induce the

government of China to focus more on the economic and social needs of its population. And the countries that are most regressive are those with the worst information access.

Second, the need for basic communication. The ability to communicate broadly is absolutely necessary for an economy to develop. Without it, economies are limited to local resources, with regional trade more expensive due to a lack of efficient coordination.

Third, is a consequence of the changing nature of commerce. With the global commoditization of goods, there is very little value added and wealth in goods production. Because goods production is the least expensive it has ever been, our wealth has shifted into the service sector. The Internet is one of the primary machines of the service sector. Many of our services, from legal and accounting advice, to medical diagnoses, from entertainment to software, can be delivered either partially or completely over the Internet.

Finally, the modern economy needs energy, communications, and transportation. It is this last element that has yet to be fully exploited by broadband access, in the developing world or in the North Country.

Think of the range of things you do

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in a workday, and ask yourself what proportion of these could have been done with a computer connected to the Internet. For me, perhaps 70% of my job can be done using broadband access. For others, 100% of their work can be done from home. By doing so, we save significantly in commuting costs. Businesses now realize they can use the Internet to conduct video conferences, saving on travel costs as well.

The odd thing is that while one of the country's largest companies is investing heavily in developing broadband capacity in the

developing world, rural areas such as the North Country still remain out in the cold. Private companies simply do not have the capacity to rapidly roll out broadband in isolated areas. A mile of broadband lines in the suburbs can hook up a hundred homes, while the same mile in a rural area might only hook up a dozen homes.

Until everyone in the country is wired up (or more accurately, fibered or wireless up), private companies likely will not invest in rural areas. And yet it is the rural areas that have the longest commutes and could most benefit

from broadband access.

We have seen this failure of infrastructure in the past, which gave rise to the national rural electrification project. We need such a project in the U.S. too. Ironically, the developing world may get there first if the North Country does not collectively adopt a strategy that will allow similar access to information, telecommuting, and e-commerce, no matter where they live. Only then can we tap into the tools of the Internet as a new and economical means of transportation in the North Country. ✂

Featured Economic Indicators for the Tri-County Area (Clinton, Essex, and Franklin Counties)

Clinton County

| | | | | |
|--|------------------------|------------------------|-----------------------------|---------------------------|
| Employment Growth (NSA) | 2006 0.2% | 2007 -0.8% | Q4 2007 YTD -0.8% | Q2 2008 - 50.6% |
| Unemployment Rate | Q1 2007 6.6% | Q2 2007 5.6% | Q4 2007 4.9% | Q2 2008 6.2% |
| Personal Bankruptcy Failing Rate Per 1000, Chapters 7&13 | 2004 4.41 | 2005 5.42 | Rank in NY 36 | Rank in NY 41 |
| Total Housing permits | Q1 2007 | Q2 2007 | Q4 2007 | Q2 2008 |
| Single Family Housing | 7 | 18 | 38 | 9 |
| Multi Family Housing | 0 | 16 | 30 | 2 |

Essex County

| | | | | |
|--|------------------------|------------------------|------------------------------|---------------------------|
| Employment Growth | 2006 -0.2% | 2007 -0.3% | Q4 2007 YTD - 0.3% | Q2 2008 - 50.1% |
| Unemployment Rate | Q1 2007 7.2% | Q2 2007 5.5% | Q4 2007 5.5% | Q2 2008 6.3% |
| Personal Bankruptcy Failing Rate Per 1000, Chapters 7&13 | 2004 3.72 | 2005 4.57 | Rank in NY 51 | Rank in NY 54 |
| Total Housing permits | Q1 200 | Q2 2007 | Q4 2007 | Q2 2008 |
| Single Family Housing | na | na | na | na |
| Multi Family Housing | na | na | na | na |

Franklin County

| | | | | |
|--|------------------------|------------------------|----------------------------|---------------------------|
| Employment Growth | 2006 1.1% | 2007 0.2% | Q4 2007 YTD 0.2% | Q2 2008 - 50.2% |
| Unemployment Rate | Q1 2007 6.4% | Q2 2007 5.1% | Q4 2007 5.6% | Q2 2008 6.6% |
| Personal Bankruptcy Failing Rate Per 1000, Chapters 7&13 | 2004 3.77 | 2005 4.46 | Rank in NY 37 | Rank in NY 5 |
| Total Housing permits | Q1 2007 | Q2 2007 | Q4 2007 | Q2 2008 |
| Single Family Housing | 2 | 11 | 22 | 8 |
| Multi Family Housing | 0 | 0 | 0 | 0 |

Quarterly Data is the year-to-date percentage change from the previous year's YTD data

Source: Regional Economic Conditions Reported by the Federal Deposit Insurance Corporation (FDIC)

Clinton County Passes Bed Tax

by Colin Read

The Plattsburgh region has some of the highest property taxes in the country. Recently, local legislators provided some relief. On October 1, a 3% bed tax will be levied on hotel room rentals. It is expected to raise about \$300,000 annually.

The issue of property taxes always raises passion. But from an urban economics perspective, the issue is relatively well understood. Assuming the city and towns are spending the right amounts on the right services (and there is invariably some debate on that assumption), taxes must create the right amount of revenue.

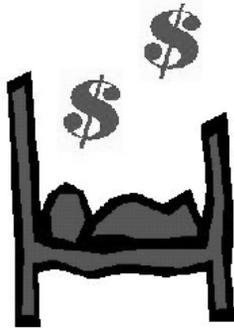
As we raise revenue, we must do so mindful that it will not create distortions in the marketplace. Not all distortions are a bad thing though. Sometimes we want distortions because they (by definition) make people rethink their choices. For instance, vice taxes discourage the use of vices. But property tax unfortunately discourages improvements in property.

One of the least distorting taxes is the sales tax. Everybody pays it, and it does not favor one good over another. However, the argument that those who come and stay in our hotels ought to pay a sales tax and also a bed tax makes less sense at first blush.

Presumably, the sales tax should cover the infrastructure and roads that

they enjoy. Temporary visitors do not impose much of a burden on local infrastructure. While they do not also pay the property and income taxes residents pay, they also do not use the roads and infrastructure as much as residents do either.

If we did the analysis of what expenses ought to be borne by visitors, we may find out that the bed tax is too little or too much. But perhaps there is a better way to think about the tax.



Let's use the tax as an investment in the tourism industry. To economists, this makes perfect sense. The tax base can expand the attractiveness and marketability of our

region, and can be used to enhance amenities (the beach, the lake, a river walk) that the tourist will all enjoy.

This requires a certain amount of fiscal discipline though. Just as the social security tax collected more than it needed to help fund other government projects, the bed tax revenue may be diverted to other items completely unrelated to tourism.

Urban economists agree that a narrow and specific bed tax is not the best way to raise general revenue. However, as a mechanism to fund marketing of our region and attract more visitors, the bed tax is perhaps the best tax of all. ✂

LOCAL NEWS...

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sources, partner Ray Chen believes he can offer quality furnishings at a good value.

More Clothing Stores for Champlain Centre: In addition to the clothing line that Target will bring, Hollister is expected to open in time for the holiday season. This store caters to young adults.

New Restaurant in Plattsburgh: Lovers of Thai food can now enjoy Plattsburgh's only Thai restaurant. Sawatdee recently opened on the corner of Bridge Street and City Hall Place in downtown Plattsburgh.

The Development Corp and Clinton County Public Transit Cooperation: A new committee has formed to allow employees better access to jobs in Clinton County. Recognizing that businesses need reliable transportation for their employees, and high gas and automobile costs are beyond the reach of some households, this committee will work for solutions to sustain Plattsburgh's economic growth.

Pratt and Whitney Closing in October: While the local Pratt and Whitney Canada jet engine testing facility in Plattsburgh is scheduled to close October 31, it is not before history was made. One of the last projects for the facility was the testing of a new turbine driven fanjet that is slated to power Bombardier's revolutionary mid-size passenger jet. This new type of jet engine provides better fuel economy and allows Bombardier's new design to compete directly with the Boeing 737, the world's best selling passenger jet.

Plattsburgh Area Statistical Updates

