

DEVELOPMENTS *New England*

New England Developments

Policy Issues Shaping the Regional Economy

November 2003

Surviving in Manufacturing

By Jeff Somple

Mack Molding Company was founded in Wayne, N.J. in 1920 and moved to Vermont in 1939. A pioneer in the plastic injection molding business, Mack had positioned itself as a key supplier to the Computer/Business Equipment marketplace by the mid-1980s. The high-tech and internet explosion of the '90s fueled the company's growth and by 2000 Mack had expanded to include not only molding but sheet-metal fabrication, contract manufacturing, and PCB assembly. Now consisting of three operating divisions, Mack has sales of more than \$450 million, 12 locations and more than 2,100 employees.

The combination of Y2K, the Internet bubble collapse and the migration of manufacturing to off-shore low-labor countries had a devastating effect on Mack as well as the entire plastics processing industry. With fast-disappearing margins, major computer manufacturers looked to China, Korea, Mexico and other low-cost areas to remain competitive. This business exodus produced massive over-capacity in the U.S. manufacturing sector and resulted in reduced sales, disappearing profits and numerous bankruptcies and plant closings.

Faced with this new competitive landscape, companies such as Mack had to make some difficult decisions. The fact was that this work was not returning to the United States. In a painful strategic planning session in the summer of 2000, we saw that we had three choices. The

first was to "join them"—that is, establish our own off-shore facilities to support our traditional market base. We rejected this option. Mack is an American manufacturer with more than 80 years invested in our people and communities, and our roots are deep. Frankly, we had no desire to chase low labor around the globe. The second option was to compete head-on with this new threat and invest in automation, lean-manufacturing techniques and creative engineering to develop a world-class model that would be globally competitive. While well-intentioned, and to some degree necessary just to remain competitive in the U.S., this approach would not close the tremendous gap created by the combination of low wages, tax incentives, lax regulations and currency manipulation that exists in many off-shore countries.

The third option, and the one that we eventually chose, is to avoid off-shore competition altogether. How do you accomplish this? It's not easy, and it requires a complete re-analysis of who you are and what you do. We began by looking at the comparative strengths and weaknesses of our new competition (China) and ourselves. We know that there are big advantages in labor, component costs, raw material and proximity to Asian markets on the side of China. Their disadvantages include distance, freight costs, up-front design and engineering, inventory "bubbles" and an inability to react quickly to changes in specifications, delivery and quality requirements. There is also the

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Notes on Manufacturing's Decline

By Michael Levin

Recently I was browsing the L.L. Bean catalog searching for a holiday present my wife could give me (OK it was slippers) when I started looking for the blurb under each item that tells whether it was imported or made in the United States. It turns out this designation is practically obsolete as almost all Bean products are now made overseas. When did this happen? Maine used to be a center for making shoes and outdoor gear.

In some ways the debate about saving manufacturing jobs in the apparel and other American industries is kind of *deja vu* all over again. Many jobs are already gone and probably not coming back—those that remain may be in quasi-protected industries like defense (although the Pentagon is also looking offshore to save a buck); in multinationals that maintain some production capacity in the U.S.; or in small niche players that have learned how to adapt to the global marketplace. So is this debate over declining manufacturing jobs really worth having?

Just the Facts

Under NAICS coding manufacturing's share of total employment in the U.S. was 11.7 percent in 2002, still a major segment but down consistently over the past three decades. In certain Southern and Midwestern states the proportion of manufacturing jobs is considerably higher than average, such as Indiana at 20.4

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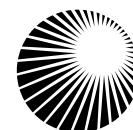
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**Northeast
Utilities System**

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risk factor—SARS, the West Coast dock strike, political uncertainty, etc.

A New Company Model

Mack's strengths include design, prototyping and engineering. We produce large parts, painted parts and high-level assembly and test. We focus on programs that place an emphasis on high quality, rapid change capability and program management. Mack has the financial strength and stability to invest in new technologies and to commit resources to a project that may be years away from generating revenue. We are closer to our customers.

After we completed our "look in the mirror" analysis of how we compare to these off-shore manufacturers the next step was to ask a very simple question: "Who needs us?" The answer, thankfully, was lots of people. North American manufacturers that use large and/or painted parts. Customers that need active, ongoing engineering support and that place a premium on quality and delivery. Slow-developing projects that require up-front investments of people, time and money. Companies that have low to medium volume requirements and are looking for flexible suppliers that can react quickly to changes. By leveraging our strengths against the inherent weaknesses in China we were able to begin to develop a model of what a prospective customer would look like. By using this model we could profile different markets to see if we have a place. Within these markets we could then explore new target customers and see if our strengths would be of significant value. In essence, we would redefine our world.

The first question we now ask ourselves when engaging a potential customer is, "Will they still be in North America in five years?" This is followed by "Do they need what we do?" If the answer to one of these questions is no, we keep looking. The more we look, the more we can fine-tune our account profile. Fortunately we have had some success. We rebuilt our customer base in the past five years and entered new and exciting markets. Mack now produces office furniture



for a variety of companies. These are large, painted parts that need to be configured at the last minute for shipment. We are active in the industrial marketplace, producing stationary battery jars, shower bases, fork-truck panels and drainage trenches. Mack is now producing extra large plastic parts for the truck industry and golf-carts. We are very active in the medical market where we are producing FDA-certified devices as well as instruments and large disposable parts. Every one of these has something in common—our core competencies are fully utilized.

Since 2000 Mack has seen its sales fall in half, and we now employ 1,100 people. The Computer & Business Equipment market used to represent more than 75 percent of our revenue. It now accounts for less than a third of that and our three largest customers have moved virtually all of their work abroad. Given that bleak outlook, you might think things are pretty depressing around here. On the contrary! We have found new customers in new markets. We have more than 200 tools under construction for new programs. And we have started to grow again. Slowly, to be sure, but we are seeing that "glimmer of light" that

had been absent for so long. We now have a plan and no longer feel as if we are helpless and simply reacting to global events beyond our control. And that is the best feeling of all. ■

Jeff Somple is president of the Northern Division of the Mack Group based in Vermont. The Mack Group is headquartered in Arlington, Vermont, and has operating divisions in Westford, Mass. (Mack Technologies), Gardner, Mass. (Mack Prototype), Inman, S.C. (Mack Southern Division) and Rochester, N.Y. (Mack Design).

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Guest COLUMN

Building the New Regional Economy



Joel Kotkin

By Joel Kotkin

The revival of cities, old urban corridors and smaller towns around the country, including in New England, leaves hope for regional growth in America. A blending of different economies—such as Hartford and Springfield as well as a host of smaller towns—could provide the Connecticut River Valley region with the prospect of a remarkable future.

But in seeking to rediscover the potential for urban growth, it is essential to remember the basics. All too often places have tried to win by playing long ball instead of playing “little ball,” pushing runs across the plate one at a time. Red Sox fans know the limits of such an approach.

In economic development terms, this search for the “long ball” usually centers on adopting one big theory around which to organize development. One popular approach, particularly in New England, has been to look for “cluster” based development. This theory, popularized by Harvard Business School’s Michael Porter, attests that regions should find their existing agglomerations of industries, then target them in order to develop a strong regional specialty.

Another, more recent approach, is to see the key to regional revival in what may be described as the “cool town” approach. In cities from San Francisco to Cleveland there has been a growing chorus—among academics, the media, planners and developers—to see the arts, entertainment and other amenities as the key to urban growth.

In many ways, these constitute the latest in a series of bromides tried since

the 1960s—from downtown pedestrian malls to convention centers and sports arenas—as ways to breathe life into regions. The cluster theory is a more sophisticated and grounded approach than these, but is being undermined by the processes of globalization and digitization which allow industries, even sophisticated ones, to migrate to remote locations.

This has become painfully true for many of New England’s traditional clusters such as textiles, metal-working and aerospace, each of which have continued to migrate to new locales both nationally and around the globe. Perhaps most disturbing, even service and technology-based jobs, such as those in computer programming and financial services, are following this trend.

The current deep recession in many of the most famous clusters, such as New York’s financial industry and Silicon Valley, should give even the most passionate advocates of clusters pause. As a result, many economic developers are looking to the fashionable “cool town” approach that focuses largely on attracting downtown upper middle class residents, largely single, gay or “empty nesters,” through creating “hip” areas with trendy restaurants, clubs, the arts, entertainment, sports and cultural facilities.

Yet it is a tragic mistake when a region considers a museum, or any kind of special attraction, as the justification for its existence. The real value of a region lies in what it does to help transform and improve the lives of its citizens, particularly the productive people already living or working there including immigrants, small-scale entrepreneurs and actual producing artists. It follows the strategy, long advocated by the great urbanist Jane Jacobs that holds that: “A metropolitan economy, if it is working well, is constantly transforming many poor people into middle class people...greenhorns into competent citizens...Cities don’t lure the middle class, they create it.”

This appeal to the middle class is particularly useful for regions such as the Connecticut River Valley, where the real advantage lies in what may be seen as “affordable quality of urban life.” In contrast, over the past few years many of the

places considered “cool” by urban theorists have become increasingly overpriced, overregulated and almost impossible to have a family in. These regions include New York, San Francisco and Seattle, all of which based much of their demographic appeal to their “hip” arts and culture scenes. These cities have now found that new art museums, great restaurants or sparkly new “hip” districts, are no substitute for a diverse, real economy, particularly after the crash of dot com bubble.

At the same time, elitist theories of “arts” based development, with its eye on an aesthetically-driven notion of wealth creation, led these cities to ignore more mundane economic problems such as high costs, a tangled regulatory environment and lack of middle class housing. The result: much of what was left of the “real” economy has moved away.

Perhaps a more relevant example for Hartford-Springfield can be found in Cleveland where the much ballyhooed Rock and Roll Hall of Fame, and the development of other nearby cultural venues, is widely seen as reviving that old industrial city. To be sure, Cleveland’s arts and entertainment-oriented strategy has led to some improvement in the city’s image and helped encourage the move of a small contingent of yuppies, roughly 5,000, into a once desolate core.

Yet the overall effect has not been particularly encouraging. During the 1990s, the city lost another 5 percent of its population, while the surrounding region continued its relative decline.

None of this says that the arts, entertainment and “coolness”—or clusters for that matter—are not an important facet of the regional development, but they are not its essence. Ultimately the fate of any region relies on retaining its middle class and helping them develop their capabilities. It is here that regions like the Connecticut River Valley have their best chance to create their own vibrant regional paradigm. ■

Joel Kotkin is a senior fellow at the Davenport Institute at Pepperdine University. He is writing a history of cities for Modern Library. Mr. Kotkin delivered the keynote address at the annual “State of the Region” conference of the Hartford-Springfield Economic Partnership held on Sept. 24, 2003.

Identifying the Available Labor Force

By Michael Levin

Defining the available regional labor force for existing and prospective employers has become the sine qua non for economic development agencies around the country. Spurred by site selection consultants, states and regions are beginning to develop techniques and instruments that go beyond existing government statistics on unemployment, labor force and population to more accurately gauge the numbers of potential employees and their skill and education levels.

Two articles in the August 2003 *Economic Development Quarterly* summarize efforts made in Kansas and Maine to use survey instruments to gather detailed labor force data by region for each state. Aistrup, Zollinger and Walker (“Defining the Available Labor Pool: The Kansas Labor Force Survey”) discuss the telephone survey that was administered to 2,723 Kansas adults in 2001 for the Kansas Department of Human Resources. Analyzing the results of the survey they discovered that the available labor force was far greater than the number of unemployed workers.

The researchers found three theoretical groups who make up the available labor pool, including

- (1) the unemployed, retired persons, and full-time students who are looking for employment;
- (2) employed persons looking for new jobs; and
- (3) persons who would consider switching jobs “for the right opportunity.”

These three groups combined to represent more than 60 percent of the Kansas workforce. The third group, employed opportunity workers, composed about 44 percent of the workforce by itself. These numbers do not necessarily mean that companies seeking workers in Kansas will always find them, as individuals with certain skill or education levels may still be

in short supply (such as registered nurses), or employee wage and benefit demands might not meet company parameters. The size of the potential labor pool discovered by the survey does illustrate the dynamic quality of the workforce, where employees constantly move in and out of jobs (and in and out of the labor force) for better pay or a variety of other reasons. This knowledge enables economic developers to present to potential clients a more complete picture of the available labor force in the area.

In Maine, Colgan and Andrews (“Beyond the Unemployment Rate: Workforce Profiles for Economic Development”) led the Maine Labor Force Analysis Project, a \$600,000 three-year effort funded by the state Department of Economic and Community Development to provide comprehensive labor force data for each of the 17 economic regions in the state. The project administered surveys to both employees and employers to gather information on labor force characteristics such as mobility (the “latent” labor force of employees willing to change jobs), labor costs, skills and training, and employers’ experiences in filling positions locally and recruiting workers from outside the region.

The authors note that expanded labor force information is especially important in a state like Maine with slow population growth, where real (or perceived) labor shortages hinder economic expansion. The project was able to show that even in parts of the state with extremely low unemployment rates (such as greater Portland), the “latent” labor pool was large enough to keep the area on the radar screen of site selectors who might otherwise have ruled it out. Across the state, survey results indicated that the number of “employed looking for work” was five times greater than the unemployed pool.

Though expensive and time-consuming the Maine project has proved

useful to state and local economic development officials in expansion and recruitment efforts, while specific findings have been helpful to state government, health care organizations, rural development organizations and educational institutions in addressing labor shortages, analyzing local school compensation and attendance patterns, and identifying computer training needs.

Another perspective on labor force availability has come from work in western Massachusetts to track the so-called hidden-tech population prevalent in the region. Hidden tech, a concept coined by entrepreneur Amy Zuckerman (see www.hidden-tec.net), refers to virtual companies operated by one or two individuals, who develop and sell products or services from a home or small office and leverage the internet to drive their businesses. The term hidden tech refers to the fact that these individuals are often not counted in the employer-based surveys of job growth relied upon by economists and the media.

As the ranks of the self-employed and those working from home swell—in part because of the insecurity of corporate employment—it becomes important to include this population in regional economic development strategies. By forming networks of these individuals, a critical mass of often overlooked workers is recognized within a region. This group of tech-savvy workers represents a potential labor pool for information technology and other businesses that are considering locating or expanding in the area. They can become direct employees of the larger firms or support their growth by acting as subcontractors or professional service providers with expertise in software/hardware development, web design, research, competitive market analysis, and public relations. ■

Michael Levin is chief policy specialist for economic development at Northeast Utilities.

Power POINTS

The Icing or the Cake?

No longer just icing on the economic cake, the tourism industry now contributes \$38 billion (6.5 percent) to gross regional product (2000 data). Tourism occupies a central place in the development strategies of at least two New England states, Maine and Vermont, where direct visitor spending represents 15 percent and 14 percent (respectively) of their gross state products, according to the Boston Federal Reserve. Visitor spending as a share of GSP is 7.6 percent in New Hampshire, 7.1 percent in Rhode Island, 6.2 percent in Connecticut and 4.7 percent in Massachusetts. Tourism in the United States contributes about 6.0 percent to GNP.

Florida (Richard) Hits It Big

Carnegie-Mellon professor Richard Florida's thesis that culturally and ethnically diverse places attract creative people (entrepreneurs) who in turn power economic growth is gaining traction in a number of cities/regions. Highlighted in *USA Today*, places as varied as Asheville, N.C., Cincinnati, Tampa and Fresno, Calif., are using (or considering) Florida's ideas to change their image and gain favor with young professionals. In New England, Providence is promoting its creative assets including artists and universities to cement its economic comeback. As the modest professor puts it: "I didn't invent this (theory), I've just become a spokesman."

Aging in Place

Befitting an older (some would say "anti-growth") region, New England states generally lagged the nation in recent growth of its school age population. Census figures show that the U.S. population aged 5 to 17 increased 0.3

percent between April 2000 and July 2002, but the school age population declined 2.5 percent in Massachusetts, 2.7 percent in Rhode Island, 4.9 percent in Vermont, and a whopping 7.2 percent in Maine (second biggest drop in U.S., after North Dakota). Only New Hampshire, +0.5 percent, and Connecticut, a surprising +5.0 percent, had increases in this youthful cohort. Overall, just 15 states had increases in their school age population.

Nonprofit organizations employ between 9 to 12 percent of the workforce in each of the New England states, and nonprofits purchase over \$56 billion worth of goods and services.

Higher Ed Support Lower Here

New England states generally exhibit lower than average support for public colleges and universities. All of the New England states except Vermont rank in the bottom quintile nationally in per capita government expenditures for higher education. Per student expenditures, probably a better measure of effort, tell a similar story. New Hampshire, Maine, Massachusetts and Rhode Island spent less than the U.S. average of \$18,890 per student in 2000. Vermont led the nation, spending over \$26,000 while Connecticut, which ranked 46th in per capita spending, reversed,

spending \$24,226 per student (fourth best in the nation).

Rainy Day Fund Lessons

An article by Matthew Quigley of the Boston Fed (*New England Fiscal Facts*, Summer 2003) indicates that the recent economic slowdown depleted Rainy Day Fund balances in Connecticut and Maine, but not in the other New England states, which maintained fund balances of between 1.5 and 3.9 percent of expenditures going into fiscal 2004. Massachusetts had the largest fund in fiscal 2001 (10.4 percent) and used it to address state budget deficits without major tax increases during the past three years. Connecticut has raised its Budget Reserve Fund cap from 5 to 10 percent of expenditures; the previous fund balance of \$595 million was completely depleted in just one year.

Nonprofits Vital to New England

Two articles in the Fall *Connection* magazine from the New England Board of Higher Education highlight the importance of the nonprofit sector (and within it, private colleges and universities) to the New England economy. Nonprofit organizations—engaged in higher education, health care, arts and recreation—employ between 9 to 12 percent of the workforce in each of the New England states, and nonprofits purchase over \$56 billion worth of goods and services, overwhelmingly from local businesses. Employment in private colleges and universities is a particular strength for the region, representing 3 percent of total employment compared to just over 1 percent nationally. This amounts to 190,000 workers in private higher education, not counting thousands more employed by public colleges and universities. Employment in private higher education institutions and in nonprofits generally, tends to be more stable than private sector job levels, thus smoothing the effects of the business cycle on the regional economy. ■

Notes on Manufacturing's Decline, cont'd. from page 1

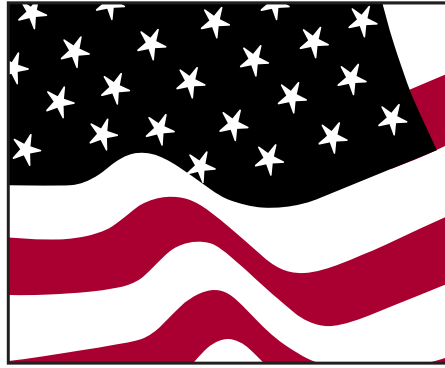
percent, Wisconsin, 19 percent, Arkansas, 18.7 percent, Michigan, 17 percent, and Mississippi and North Carolina, 16.7 percent each. But there are 26 states where the share of total employment represented by manufacturing is below the national average, including California, New York, Texas and Florida. In these places, producing goods is increasingly becoming passé.

This is not just an American phenomenon; most developed countries are in the same boat. In Europe, where the sentiment for government action is stronger than here, there are regular dire pronouncements about deindustrialization (and how to stop it) from the president of the European Commission on down to common workers.

Moreover, as the Wall Street Journal headlined (Oct. 20, 2003), "Factory Employment Is Falling World-Wide." The Journal cited a report from New York-based Alliance Capital Management indicating that 20 big economies around the world eliminated 22 million manufacturing jobs between 1995 and 2002. Job losses were not confined to the developed world; in fact the biggest percentage loser was Brazil, which shed 20 percent of its manufacturing jobs in this period. The U.S. lost 11.4 percent of manufacturing jobs in the period but that was less percentage-wise than Japan (-16.1%), Russia (-11.7%) and even China, which shed more than 15 percent of its manufacturing jobs (mainly in inefficient state-run factories). Besides China's private companies, which have been taking production jobs from the U.S. and elsewhere, there were other winners, countries that had net gains in manufacturing employment, such as Spain, Canada and the Philippines. But many of the factory jobs were simply eliminated due to technology/productivity advances and the evolution of the world economy.

Domino Effect

The debate is not over the facts of worldwide (and understandable) shrinkage in



MADE IN U.S.A.

factory employment, however, but over the massive trade imbalance with China (\$103 billion in 2002), the loss of "good jobs" that manufacturing represents, and perhaps, a connection with the overseas outsourcing of other kinds of jobs, such as the information technology jobs now going to India.

The call by manufacturers associations and politicians for substantial government action to stem the loss of U.S. manufacturing capability and jobs now includes a warning to other sectors of the U.S. economy—this could happen to you. The idea of adopting an industrial policy may run counter to U.S. tradition, but its advocates claim we already have a *defacto* deindustrialization policy in trade agreements, monetary and tax policy, and corporate governance—that has weakened the manufacturing sector far more than global economic shifts.

Given the makeup of the Congress it is unlikely the country will adopt a comprehensive program to address manufacturing job losses. Even if it did, the program might not work. For one, unintended negative consequences might outweigh any gains from the policy changes, given the global integration of larger manufacturing companies. Ten of China's 40 top exporters to this country, for instance, are American companies with factories in China.

We can and will jawbone the Chinese to change some illegal practices (such as copyright theft), to stop erecting unfair

trade and administrative barriers, and to buy more America goods. This will have a modest positive effect, but the broad trends will remain. So long as American consumers demand affordably-priced toys and other products, firms will build them wherever the economics make sense.

What Remains

Certainly no one wants to write off the manufacturing sector. Manufacturing output continues to grow even as employment declines, and the income generated by the sector creates employment opportunities in other segments of the economy. Besides foreign competition, poor management has been an issue with some companies, such as in the steel and auto industries, and this deficiency can be remedied. Mack Molding Co. is an example about how management flexibility can help meet the offshore challenges (see accompanying article in this newsletter). Process improvements, such as implementing lean manufacturing, have been shown to improve the bottom lines of smaller companies especially.

The government needs to do more. Not in futile attempts to influence the Chinese currency, but in providing increased funding for R&D at universities and companies to spur innovation and keep the U.S. ahead of the curve. Additional public funding is also crucial in helping displaced workers to build new careers. Retraining programs covering tuition and books at community colleges and other institutions have been proven to work.

But political leaders need to be straight with the public. High-tech manufacturing can survive and even thrive in America, but the manufacturing workforce has peaked. Productivity improvement alone ensures that outcome. It's time to deal with the manufacturing sector as an important piece of the nation's diverse economic base, but one not uniquely critical to growth. ■

Michael Levin is chief policy specialist for economic development at Northeast Utilities.

Regional Economic **TRENDS**

New Transportation Funding Key to Region's Economic Progress

By James Brett and Susan Asci

The reauthorization of legislation important to the future of New England's transportation infrastructure and economy will not likely see action in this session of Congress, but rather be extended to next year.

In September, the Senate Finance Committee unanimously approved a five-month extension of the TEA-3 highway and transit funding program, which was set to expire this fall. The extension was needed to continue federal funding of transportation projects as the full reauthorization of the bill is not near completion.

On the surface, TEA-3 represents billions of dollars for transportation infrastructure improvements. But the bill means more than dollars for specific projects. Transportation efficiency is directly linked to the success of the economy. And in New England—a region challenged by some of the oldest infrastructure in the country and perhaps more dependent on a multi-modal transportation system—the final outcome of this legislation will have a significant impact on the region's future economic outlook.

TEA-3 is important to the economy for many reasons. Problems like congestion result in more than driver frustration. They cause delays which can impede our ability to conduct business.

According to the 2002 Urban Mobility Study conducted by the Texas Transportation Institute (TTI), congestion is already a significant national problem.

The study examined 75 urban areas, including Boston, Hartford and Providence. Congestion has caused the average annual delay per traveler to climb from 16 hours

in 1982 to 62 hours in 2000. The total congestion for the 75 areas cost \$67.5 billion, representing the value of 3.6 billion hours of delay and 5.7 billion gallons of excess fuel consumed. Also during the study period, miles of passenger travel increased more than 85 percent on highways and 25 percent on transit systems.

The issue of congestion alone makes a compelling case for the need to improve infrastructure efficiency.

Transportation also means jobs. According to construction associations, approximately 42,000 jobs are created for every \$1 billion invested in transportation infrastructure.

The New England Council, the nation's oldest regional business organization, has joined with other regional groups to present a coordinated agenda to Congress relative to transportation issues and particularly the reauthorization of TEA-3.

Reauthorizing Federal Funds

One area of concern in the reauthorization of TEA-3 is whether or not the current allocation formula will be altered. Making changes to this formula could threaten the region's ability to meet its transportation infrastructure needs. Another issue is where the gas tax revenue is applied. The revenue raised from gas taxes should go directly into the Highway Trust Fund, so as not to be diverted to meet the needs of other parts of the federal budget.

Ground transportation is not the only major issue being debated by Congress. The reauthorization of airport funding and support of rail are also on the table.

In 2000, Congress passed AIR-21 which increased aviation investment by \$10 billion, bringing total funding to \$40 billion over three years. The Federal Aviation Administration's facilities and equipment budget also saw a 50 percent hike to modernize the nation's air traffic control system and increase investment for runways and equipment.

A recent study by the Economic Development Research Group found that Logan Airport's contribution to New England's economy has totaled \$6.5 billion annually (based on 2000 passenger levels). Activities related to the operation of the airport have supported more than 25,000 jobs and generated \$2.2 billion of economic output. And spending by visitors through Logan has supported an additional 75,000 jobs and \$4.3 billion in economic output.

With the tragedy of September 11 and the downturn in tourism, airlines and airports have faced many economic challenges. AIR-21 needs to be supported with the view that air travel will return to pre-September 11 levels. We need to maintain current investment levels and improvement schedules, while at the same time increasing safety and security.

AIR-21 will have an impact on the entire New England airport system. The New England Council has worked for more than a decade to increase the utilization of the regional airports. In just the past five years airports in Manchester, N.H., Providence, R.I., and Hartford, Conn., have attracted seven million new passengers, clearly benefiting the economy.

Rail Rewards

Amtrak/Railway funding proposals are another critical element in New England's overall transportation system.

More than 7,000 people are employed in the rail industry throughout New England. Particularly with the introduction of high-speed rail along the northeast corridor, rail has become a success story in New England. The high-speed train, Acela, tripled its ridership from Boston to Washington, D.C. in less than a year. The Downeaster, which operates from Portland to Boston, posted \$2.1 million in revenue and carried more than 138,000 passengers in its first six months of operation. Through its commuter services, Amtrak serves 61 million people per year.

There is no doubt about the important role that rail plays in the New England economy. Continued government support

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New Transportation Funding, cont'd. from page 7

is needed for expansion, basic operations and maintenance. Rail has even greater potential in the Northeast and ultimately will require long-term government commitment to realize it.

One example of this potential is illustrated in northern New England.

Three years ago, the Federal Railroad Administration designated the Boston to Montreal route as one of the nation's three new High Speed Rail Corridors. According to the Vermont Agency of Transportation, which initiated the study, this service could reduce traffic congestion in the greater Boston area, I-93 and Route 3 corridors in Massachusetts and New Hampshire. The service could also reduce congestion for I-89 in Vermont and New Hampshire.

And it would provide an alternative for air travelers using Logan or Montreal-Dorval airports.

The first phase of the study determined that trains could operate at a maximum speed of 110 mph over the majority of the existing 325-mile corridor. A ridership survey found that nearly 700,000 passengers per year would use the line and the service could generate more than \$34 million in annual revenues.

Canada is the leading trading partner for 38 of the 50 United States, including all six New England states. In addition to these economic links, 25 percent of New England's population has family ties to Canada.

State officials in Vermont are eager to begin the second phase of the study.

Congress promised \$250,000 for the study and the rest of the money must be matched with \$67,000 each from Massachusetts, Vermont and New Hampshire. Vermont has allocated its share; to date the other two states have not.

Clearly, there is much at stake for New England in the 108th session of Congress. The pending legislation will have a significant impact on the ability of the region to grow its economy. ■

James Brett is president and CEO and Susan Asci is vice president of communications of the Boston-based New England Council. The New England Council is the nation's oldest regional business organization, dedicated to supporting federal public policies and regional initiatives which promote economic development and a high quality of life in the six-state region.



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