

APPENDIX B ECONOMY INVENTORY

INTRODUCTION

The purpose of this inventory is to give public and private decision makers an idea of the local and regional economic picture. It shows where Bath residents work and in which industries, the size of the labor force, which industries are and are not growth industries, a snapshot of retail sales, and other information.

THE MAINE ECONOMY

To begin, let's look briefly at the Maine economy. How well Maine's economy is doing depends on what reports are read and when they were written. According to "Measures of Growth 2007," a report written by the Maine Development Foundation for the Maine Economic Growth Council:

Current policy discussions in Maine often center on the ongoing shift away from an old economy towards a new economy, and what Maine is doing to make its way through this transition. "Innovation-driven," "knowledge-based," "creative economy," and, perhaps most popular, "the world is flat" are terms and concepts used to describe the emerging economic landscape. What all of these arguments have in common is the conclusion that in order for societies to thrive, they must focus investment in their people as well as in cutting-edge technology. It might also be that societies must have reasonable costs for doing business in place if they are to be competitive.

The *Measures of Growth 2007* report shows that Maine has experienced little economic growth since the 2006 edition of this report was published last February. Maine's personal income has grown slowly but the state's ranking has fallen to 37th nationally; Maine's Gross Domestic Product (GDP) growth has slowed; job growth has stalled; and more workers are holding multiple jobs—an indicator that some jobs may not be paying enough.

Behind these measures of Maine's prosperity are signs that tell the story of the state's performance in the new economy. After a strong showing in research and development last year, the Maine Economic Growth Council gave R&D investment a Red Flag in this year's report. This measure—a key indicator of the steps Maine is taking to become a more knowledge-based and innovation-driven economy—has moved away from the benchmark. Another troubling sign is the widening gap between Maine and the United States in manufacturing productivity, which the Council has flagged as well. Simply put, investments in

worker training and skill development, as well as in capital upgrades, have fallen off when compared to the rest of the country. Transportation infrastructure is also an area of concern. This new indicator has received a Red Flag, and shows that Maine's transportation system needs improvement. Quality, state-of-the-art transportation infrastructure is vital in order to facilitate economic activity.

In addition to the above, the Growth Council has drawn attention to burdensome costs that continue to strain Maine's economic development. The cost of health care and the tax burden in Maine—both recipients of Red Flags—stifle the creation of wealth and business in the state. Maine must reduce these costs and bring them more in line with the rest of the region and the United States.

On the bright side, Maine is performing exceptionally well in two areas: health insurance coverage of Maine citizens and sustainable forest lands. The Growth Council has awarded a Gold Star to each of these indicators. Maine is a national leader in health coverage, and the high percentage of Maine people with health benefits means that more workers are apt to be productive in the workplace. The state also enjoys a thriving stock volume in its forested areas. Maine is doing a good job of protecting an important part of its natural-resource-based economy and quality of life.

Other highlights in this year's report include a bounce-back year for international exports; continued expansion of high-speed Internet subscribers; a decrease in the poverty rate; and continued decreases in death rates from chronic diseases.

Consistent with a broader consensus, the Maine Economic Growth Council believes that a skilled and educated workforce, technological innovation, and a sound cost structure are the keys to success in the new economy. The *Measures of Growth 2007* report shows that there is still work to be done to improve these critical underpinnings of Maine's future.

Similar conclusions were drawn by the state's Consensus Economic Forecasting Commission (CEFC), a group of Maine economists and financial professionals charged with making forecasts that are used to project state revenue. A review of its work was written for the Fall 2006 issue of the *Maine Policy Review* by Catherine Reilly, State Economist. In the conclusion, she states:

The CEFC's Fall 2006 forecast shows slow and steady growth in Maine's economic future. Moderating energy prices, lower inflation, and the continued expansion of Maine's service industries should increase economic activity. The weakened housing market and the closure of Brunswick Naval Air Station will moderate growth in some years but not enough to create net job losses.

For the average Mainer looking at the CEFC's forecast, the message is that Maine's economic future currently looks very similar to its recent past. Employment and income growth will be positive and steady, but moderate. There is currently nothing in the crystal ball suggesting that Maine's economy will jump to a higher growth path. Only a change of a fundamental economic factor could trigger such a jump. The fundamental elements include the skills and size of our workforce; the age and racial composition of our population; the structure and cost of our government; the technology and resources available to our businesses; the expenses faced by our businesses and households; and our natural resources.

To alter the course of Maine's \$44 billion economy, at least one, and likely several, of those fundamentals would have to change. For example, access to higher education would have to increase dramatically; new, diverse populations would have to move to Maine in greater numbers; the most expensive aspects of government would have to be meaningfully restructured; we would make large, targeted investments in research and development; and our natural resources would be firmly protected against sprawl and incremental development.

The CEFC's current economic forecast for Maine is both comforting (it calls for slow and steady growth) and aggravating (it calls for slow and steady growth). Either way, it reflects the fundamental characteristics of our economy and points to where they lead. Whether we follow or point in a new direction is up to us.

The CEFC calls the forecast both comforting and aggravating, whereas the Economic Growth Council focuses on the fact that economic growth has slowed, job growth has stalled, and more workers are holding multiple jobs. The reports have similar recommendations for the future.

This is what the experts think about Maine's economy in the future, but what about the past, at least the recent past? Maine has had an economy based on natural resources—farming, forestry, fishing, and tourism—and manufacturing. Fifty years ago, half of the jobs in Maine were in manufacturing. By 1990, that percentage had fallen to approximately 20 percent and, by 2000, it had fallen to below 15 percent. The following two tables show the percentage of Mainers employed in the various industry categories in 1990 and in 2000.

Whereas some of the industry categories reported by the U.S. Census were not the same in both 1990 and 2000, most were. The tables show that between 1990 and 2000, the percentage of those who were employed in retail trade also declined. The category showing the largest percentage

increase was education and health services. (However, it is not certain whether the 1990 category is exactly the same in 2000.) Also, the entertainment and recreation services category had a significant change, but it is likely that in 2000 the category included industries that the 1990 category did not. The other categories, if it is inferred that categories are similar, show that few changes occurred in the percentage of employed workers by industry.

**STATE OF MAINE
PERCENTAGE OF EMPLOYED BY INDUSTRY
1990**

Agriculture, Forestry, Fishing, & Mining	3%
Construction	7%
Manufacturing	20%
Wholesale Trade	4%
Retail Trade	18%
Transportation, Communications, & Other Public Utilities	6%
Finance, Insurance, & Real Estate	6%
Business, Repair, & Personal Services	7%
Education & Health Services	19%
Entertainment & Recreation Services	1%
Other Professional & Related Services	6%
Public Administration	4%

Source: 1990 U.S. Census

**STATE OF MAINE
PERCENTAGE OF EMPLOYED BY INDUSTRY
2000**

Agriculture, Forestry, & Mining	3%
Construction	7%
Manufacturing	14%
Wholesale & Trade	3%
Retail Trade	14%
Transportation, Warehousing, & Utilities	4%
Information	3%
Finance, Insurance, Real Estate Rental & Leasing	6%
Professional, Scientific, Mngt., Admin., & Waste Mgt. Services	7%
Education, Health, & Social Services	23%
Arts, Entertainment, Recreation, Accommodation & Food Services	7%
Other (except Public Administration)	5%
Public Administration	5%

Source: 2000 U.S. Census

To stimulate the state and regional economies, the state identified *economic clusters* (i.e., critical masses or groupings of related skills and industries) that have economic benefits by being located closer to one another and that, if promoted, will lead to strong job growth. Manufacturing and technology skills associated with the defense industry in the Bath Region certainly qualify as an economic cluster; the new emerging composites-manufacturing industry is another.

REGIONAL ECONOMY

In many categories, the regional economy (i.e., the percentage of people employed by industry) is similar to that of the state. A major difference in 1990 was in the manufacturing category. That is, in 1990, the percentage of workers who lived in the region who were employed in manufacturing was slightly higher than the state's percentage. Also, in 1990, the Bath Region had a higher percentage of people employed in retail trade than the state. The area where the region had a smaller percentage was in the finance, insurance, and real estate category. By 2000, the differences between the region's and the state's percentages were almost eliminated.

**BATH REGION (INCLUDING BATH)
PERCENTAGE OF EMPLOYED BY INDUSTRY
1990**

Agriculture, Forestry, Fishing, & Mining	4%
Construction	6%
Manufacturing	23%
Wholesale Trade	2%
Retail Trade	22%
Transportation, Communications, & Other Public Utilities	4%
Finance, Insurance, & Real Estate	3%
Business, Repair, & Personal Services	6%
Education & Health Services	19%
Entertainment& Recreation Services	1%
Other Professional & Related Services	7%
Public Administration	4%

Source: 1990 U.S. Census

**BATH REGION (INCLUDING BATH)
PERCENTAGE OF EMPLOYED BY INDUSTRY
2000**

Agriculture, Forestry, & Mining	2%
Construction	6%
Manufacturing	15%
Wholesale Trade	2%
Retail Trade	15%
Transportation, Warehousing, & Utilities	3%
Information	3%
Finance, Insurance, Real Estate Rental & Leasing	5%
Professional, Scientific, Mgt., Admin., & Waste Mgt. Services	8%
Education, Health, & Social Services	24%
Arts, Entertainment, Rec., Accommodations, & Food Service	9%
Other (except Public Administration)	4%
Public Administration	5%

Source: 2000 U.S. Census

A Location Quotient (LQ) Analysis compares the relative strength of employment by industry categories within one locale (community or region) to another locale (often the state). An LQ of 1.0 means that employment within one locale is the same percentage as in the other locale. An LQ of 1.5 means that it is 50 percent higher; an LQ of 0.5 means that it is 50 percent lower. Of the ten industry categories, the Bath-Brunswick Labor Market Area (LMA) is strong compared to the state in two categories (i.e., manufacturing and construction), moderately strong in two categories (i.e., services and local government), weak in three categories (i.e., state government, wholesale, and transportation/utilities), and moderately weak in three categories (i.e., fire, agriculture/forestry/fishing, and retail). The high employment percentage in the manufacturing sector due to BIW has a major effect on these figures.

Perhaps the most significant data regarding the regional economy is the projected closing of BNAS in 2011. The likely impact is discussed later in this appendix.

BATH'S ECONOMY

Bath's economic and settlement history has been written largely by the presence of the Kennebec River and those who took advantage of it. The river and its resources drew bands of Native Americans before European

settlers explored the area. Once a more permanent settlement was established by English colonists next to the Kennebec, the river offered transportation and industrial opportunities. Increasingly as the community became more than a rural outgrowth of Georgetown, the topography of "Long Reach" (as the area was called) was utilized as space for marine industry, where closely spaced homes and businesses were also near to the river. The step-like placement of granite-supported ridges created streets that ran parallel to the river, offering a view of the yards and vessels that began to crowd the shore in the mid-nineteenth century.

That era brought the City its most substantial growth, its grid of streets and historical homes, and its entrenched economic participation in the shipbuilding industry. Economic downturns in the coming decades and World Wars would decrease the number of yards and workers and, at times, increase the workforce and the infrastructure needed to house them, school their children, and maintain the City's vitality. However, the resulting developmental pressures were never long-term or sufficiently intense to destroy the historic tone of the City. Increasingly, the City has celebrated these consistent ties to the sea—past, present, and future—understanding that the dense patterns of settlement and dependence on BIW brought both benefits and inherent problems.

In 1990, the percentages of Bath residents employed in the various industries were similar to both the region and the state, with the main exceptions of manufacturing (where BIW's employment of Bath residents considerably increased Bath's percentages); retail trade (where Bath's percentage was slightly below the state's and somewhat more below the region's); the finance, insurance, and real estate category (where Bath's percentage, like the region's, was below the state's percentage); and health and education (where Bath's percentage was below both the region's and the state's). In 2000, the percentage of Bath residents employed in the manufacturing category was still higher than the state's and the region's percentage. The percentage of Bath residents employed in retail trades was closer to those for the state, as was the percentage of Bath residents employed in education, health, and social services.

BATH
PERCENTAGE OF EMPLOYED BY INDUSTRY
1990

Agriculture, Forestry, Fishing, & Mining	1%
Construction	5%
Manufacturing	34%
Wholesale Trade	2%
Retail Trade	20%
Transportation, Communications, & Other Public Utilities	4%
Finance, Insurance, & Real Estate	3%
Business, Repair, Personal Services	6%
Education & Health Services	14%
Entertainment & Recreation Services	2%
Other Professional & Related Services	5%
Public Administration	4%

Source: 1990 U.S. Census

BATH
PERCENTAGE OF EMPLOYED BY INDUSTRY
2000

Agriculture, Forestry, & Mining	1%
Construction	6%
Manufacturing	20%
Wholesale Trade	1%
Retail Trade	13%
Transportation, Warehousing, & Utilities	4%
Information	2%
Finance, Insurance, Real Estate Rental & Leasing	5%
Professional, Scientific, Mgt., Admin., & Waste Mgt. Services	9%
Education, Health, & Social Services	22%
Arts, Entertainment, Rec., Accommodations, & Food Service	10%
Other (except Public Administration)	3%
Public Administration	4%

Source: 2000 U.S. Census

MAJOR EMPLOYERS IN BATH

The following table lists major employers in Bath in May 2008. BIW dominates the employment picture in Bath (as well as in the Bath Region). It is important, however, that the number of BIW employees has continued to fall since its peak of more than 12,000 in the 1980s. Whether this employment number will continue to decrease is difficult to predict. Other

major employers include the Bath School Department, City of Bath, Shaw's Supermarket, M.W. Sewall, and Elmhurst, Inc. None of these businesses have plans for major hirings or layoffs.

BATH'S MAJOR EMPLOYERS MAY 2008

Company Name	Number of Employees
Bath Iron Works - Shipbuilding	5,857
City of Bath School Department - Public Schools	350 (including substitutes)
Supervisor of Shipbuilding - Shipbuilding	189
Shaw's Supermarket - Retail Groceries	175 (mostly part-time)
M.W. Sewall - Oil Company	161 (total), 52 (in Bath)
Aegis Test Team - Shipbuilding	146
City of Bath - Local Government	118 (non-seasonal)
Elmhurst - Social Service	100 (in Bath)
Midcoast Maine Community Action - CAP Agency	94
Hyde School - Private Secondary School	90 full-time, 14 part-time
Bath Savings - Financial Institution	87 (in Bath)
Sagadahoc County - County Government	70 full-time, 23 part-time, elected officials, grant people, et al.
Midcoast Federal Credit Union - Financial Institution	37 full-time, 8 part-time
Five County Federal Credit Union - Financial Institution	36 full-time, 6 part-time
Midcoast Medical Group - Medical	35
First Federal Savings & Loan - Financial Institution	25

Source: City of Bath Planning Department, 2008

BIW EMPLOYEES' PLACE OF RESIDENCE

Of the 5,600 employees at BIW in 2007, approximately 1,600 resided in Sagadahoc County, 1,045 resided in Androscoggin County, and 966 resided in Cumberland County. Approximately 500 BIW employees were Bath residents. The next highest towns of residence were Brunswick (401), Lewiston (316), Topsham (259), and Woolwich (205) (BIW Summary Data, 2007).

COMMUTING PATTERNS

In 2000, people commuted to Bath from every county in the state (see the following table).

**RESIDENTS OF THESE COMMUNITIES
COMMUTED TO BATH FOR WORK
2000**

Town/City/County/State	Number
Androscoggin County	
Auburn	255
Durham	131
Lewiston	354
Lisbon	439
Sabattus	133
Balance of Androscoggin County	278
Aroostook County	9
Cumberland County	
Brunswick	1,150
Freeport	130
Harpswell	219
Portland	122
Balance of Cumberland County	392
Franklin County	20
Hancock County	11
Kennebec County	
Augusta	150
Gardiner	131
Balance of Kennebec County	672
Knox County	156
Lincoln County	
Dresden	155
Wiscasset	296
Balance of Lincoln County	591
Oxford County	99
Penobscot County	34
Piscataquis County	6
Sagadahoc County	
Arrowsic	94
Bath	2,422
Bowdoin	174
Bowdoinham	198
Georgetown	131
Phippsburg	380
Richmond	233
Topsham	524
West Bath	336
Woolwich	544

Somerset County	113
Waldo County	73
Washington County	10
York County	131
Maryland	14
New Hampshire	10
Vermont	9
Virginia	31
Connecticut	4

Source: 2000 U.S. Census

Bath residents had a much smaller commuting range in 2000 (see the following table).

**RESIDENTS OF BATH COMMUTED TO THESE
COMMUNITIES FOR WORK
2000**

Town/City/County/State	Number
Androscoggin County	49
Cumberland County	
Brunswick	1,067
Freeport	136
Portland	134
Balance of Cumberland County	172
Kennebec County	38
Knox County	12
Lincoln County	151
Oxford County	8
Sagadahoc County	
Bath	2,422
Topsham	127
Balance of Sagadahoc County	206
Waldo County	23
York County	26
Alaska	4
Connecticut	12
Louisiana	5
Massachusetts	10
New Hampshire	7
Texas	10
Virginia	6

Source: 2000 U.S. Census

JOBS-TO-WORKER RATIOS

The importance of BIW to the City of Bath employment picture is indicated by the jobs-to-worker ratio. According to the 2000 U.S. Census, Bath had more jobs than the number of residents employed. Bath's jobs-to-worker ratio was 2.5 in 2000, which is much higher than the state and county ratios of 0.87 and 0.97, respectively. This means that there were 2.5 times as many jobs in Bath as there were workers. This is directly attributable to the presence in Bath of BIW, which is still one of the state's largest private employers and is the state's largest manufacturer.

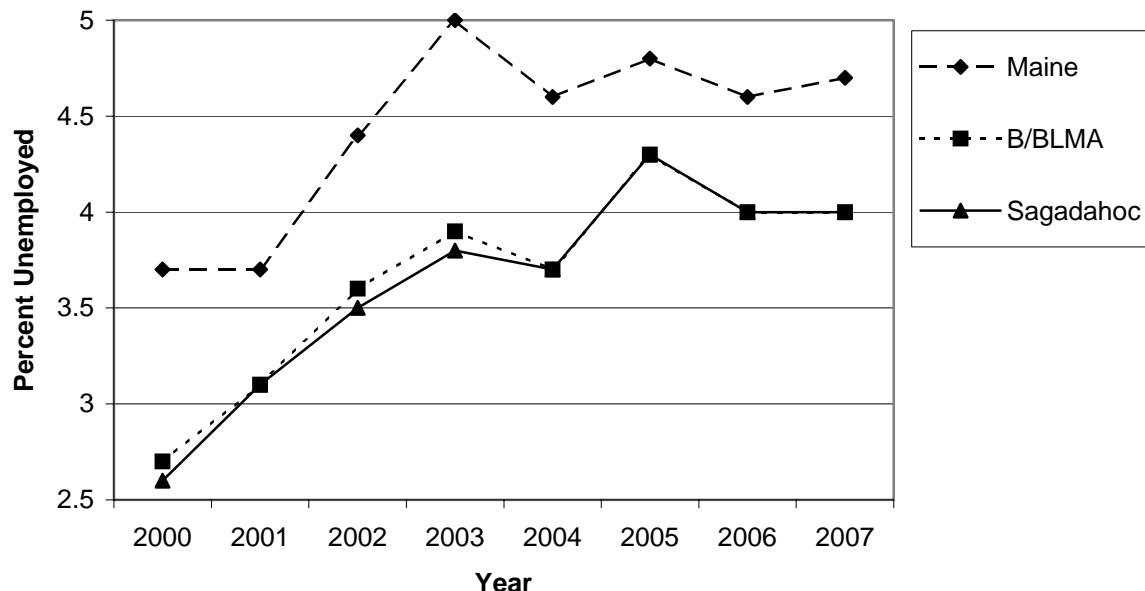
WAGE AND PER CAPITA INCOME

Whereas on average, Bath's resident workers received higher weekly wages than the rest of Sagadahoc County and the state, Bath's per capita income historically has been lower than other areas. This indicates that Bath's residents received less from nonwage income sources, such as retirement accounts, pensions, and social security.

UNEMPLOYMENT

Unemployment rates were reviewed for Bath, the Bath-Brunswick LMA, and Sagadahoc County, which all had unemployment rates below those for the State of Maine during the 2000-2007 period.

**AVERAGE YEARLY UNEMPLOYMENT RATE
STATE OF MAINE, BATH-BRUNSWICK LMA,
AND SAGADAHOC COUNTY
2000-2007**



Source: Maine Department of Labor

EMPLOYMENT FORECASTS

In December 2005, the Center for Business and Economic Research (CBER) at the University of Southern Maine (USM) prepared "Economic and Demographic Forecasts" for the state for the 2005-2030 period. These data include the recent announcement regarding the closure of BNAS (scheduled for 2010-2011) and recent downsizings at BIW. The CBER forecasts are prepared at the county level or for groups of counties. Bath is included in the Lincoln-Sagadahoc Counties grouping. The data forecast total growth in private non-farm employment at approximately 17 percent during the forecast period, the major component of which is in various services.

Appendix A discusses the difficulty in making population projections and forecasts many years into the future with much accuracy. It is also difficult to make accurate economic and employment forecasts many years into the future. The following forecast may be meaningless, given the economic events that occurred in the forth quarter of 2008.

LINCOLN-SAGADAHOC COUNTIES EMPLOYMENT FORECASTS: 2005 TO 2030

Sagadahoc & Lincoln Counties	Year		Percentage Increase
	2005	2030	
TOTAL PRIVATE NONFARM	35,934	42,095	17%
Manufacturing	7,924	7,271	-8%
Natural Resources, Mining, Utility, Construction	5,643	5,594	-1%
Retail Trade	5,393	5,374	0%
Services	14,118	20,611	46%

Sources: CBER, USM, December 2005

HOME-BASED BUSINESSES

Statistics indicate that many businesses in the United States start as home-based businesses or home occupations. The City of Bath has flexible rules and regulations regarding businesses in the home. Many types of businesses—especially offices and craft-type manufacturing—are allowed, provided that they do not negatively impact the residential character of or quality of life in the neighborhood.

BATH'S RETAIL PICTURE

In the last ten years, the retail picture of Bath has changed only minimally. The Bath Downtown, the most important retail area, includes a medium-sized family-owned grocery store, an independent drugstore, gift shops, jewelry stores, bookstores, antique shops, specialty stores, a home-appliance store, a furniture store, a kitchen-gadget store, and a department store. There is (in 2008) little vacancy.

The Bath Shopping Center encompasses a wide range of retail stores, from a major regional grocery store and chain drugstore to stores selling sporting goods and renting movies and DVD games. This retail area has changed only slightly in the last ten years.

Bath's other retail area is located along State Road, where significant changes have occurred in the last ten years. A building that housed a BIW

office is now a large auto-parts store and a discount store, and what had been a vacant lot is now occupied by a 14,000-square-foot chain drugstore.

BATH RETAIL-MARKET-SHARE ANALYSIS

A market-share analysis, also referred to as the "pull factor," is the ratio of per capita sales in a community to the per capita sales in another community (e.g., the state, the county, or another municipality). Based on information obtained from Maine Revenue Services, the seven-year (i.e., 2000-2006) retail history of Bath by product group is compared to that of Sagadahoc County, the state, and the nearby competing towns—Topsham and Brunswick. Results of the market-share analyses (i.e., the pull factors) are discussed in this section with significant findings by category.

Total Taxable Retail Sales. For overall taxable retail sales (i.e., total retail sales include consumer retail sales plus special types of sales and rentals to businesses in which the tax is paid directly by the buyer, such as commercial or industrial heating oil purchases) between 2000 and 2006, Bath's share continued to erode whereas Topsham's share gained dramatically. Per capita retail sales levels were much higher in Brunswick and Topsham in 2006 (i.e., approximately \$16,440 and \$12,500, respectively), whereas they were approximately \$9,300 per capita in Bath. Bath's relative share of taxable sales within Sagadahoc County eroded in this period from approximately 42 percent of the Sagadahoc County retail sales in 2000 to approximately 30 percent in 2006.

Bath's pull factor for total taxable retail sales in 2006 was 0.72. This means that Bath's total taxable retail sales are 28 percent lower than the statewide per capita average, indicating a general weakness in the retail sector of the Bath economy relative to the rest of the state.

Building-Supply Sales. For the building-supply sales category (i.e., durable equipment sales, contractors' sales, hardware stores, and lumberyards), Bath's share has eroded from essentially the same level of per capita sales as the state average to approximately 70 percent of the state average. Topsham, with additional development at the Topsham Fair Mall, has gained significantly in this area to approximately 50 percent higher than the state average.

Bath's pull factor for building-supply sales in 2006 was 0.71, meaning that Bath's retail sales in this category were 29 percent lower than the state average.

Food-Store Sales. For the food-store sales category (i.e., all food stores, from large supermarkets to small corner stores, based on the value of snacks and nonfood items only because food intended for home consumption is not taxed), Bath's per capita sales decreased slightly. Bath's pull factor for food-store sales was 1.4 in 2006. This means that Bath's food-store sales were 40 percent higher than the state average, indicating that Bath draws from a larger retail market area in the food-store sales category.

General-Merchandise Sales. For the general-merchandise category (i.e., stores carrying product lines generally carried in large department stores, such as clothing, furniture, shoes, household electronics equipment, and household durable goods), Bath had significantly lower per capita sales than its nearby competitors, with its share of sales in this product group declining slightly relative to the state. Bath's relative share of sales in this category in Sagadahoc County dropped from 65 percent in 2000 to only 24 percent in 2006. Bath's pull factor in the general-merchandise category was 0.43 in 2006, which means that Bath's general-merchandise sales are 57 percent lower than the state average, indicating a severe weakness in this sales category.

Other Retail. For the other-retail category (i.e., various taxable sales not covered elsewhere such as dry-goods stores, drugstores, jewelry stores, sporting goods stores, antique dealers, bookstores, photo-supply stores, and gift shops), Bath's per capita retail sales have grown slightly since 2000 to approximately equal to the state average. Bath's pull factor in 2006 was 0.91, which means that Bath's other retail sales in this category are just below the state average.

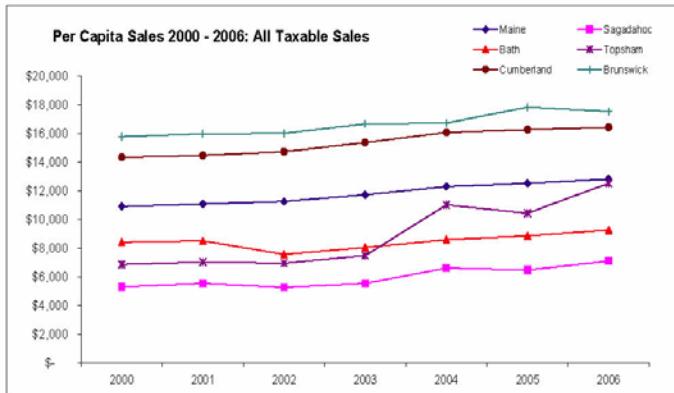
Auto/Transportation Sales. For the auto/transportation category (i.e., all transportation-related retail outlets such as auto dealers, auto parts, aircraft dealers, motorboat dealers, and automobile rental), Bath's relative market share and per capita sales remained relatively steady between 2000 and 2004, with an upturn occurring in 2005-2006. The nearby communities of Topsham and Brunswick have much higher levels of per capita sales in this category. Bath's pull factor in 2006 was 0.23, which means that Bath's

auto/transportation sales were 77 percent lower than the state average, indicating a severe weakness in this category.

Restaurant/Lodging Sales. For the restaurant/lodging category (i.e., all stores selling prepared food for immediate consumption and the lodging category including only taxed rentals)—although Bath had slight increases in per capita sales—its market share in Sagadahoc County eroded slightly but still remained approximately 30 percent higher than the state per capita sales average. Bath's pull factor was 1.3 in 2006, which means that Bath's restaurant/lodging sales were 30 percent higher than the state average.

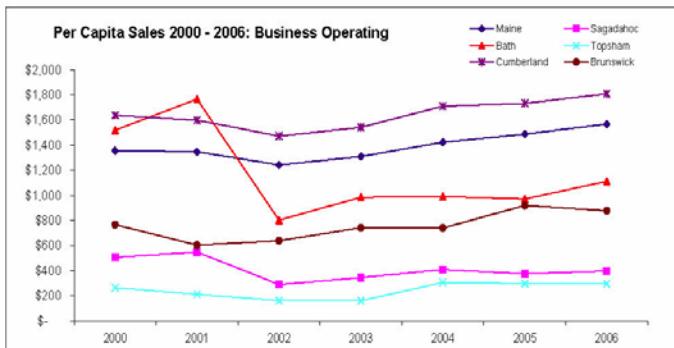
Reviewing the combined restaurant/lodging product group in more detail shows that restaurant sales per capita in Bath are much stronger than lodging sales relative to state averages. In the restaurant category, Bath's pull factor was 1.5 in 2006, which means that Bath's restaurant sales were 50 percent higher than the state average. In the lodging category, however, Bath's pull factor was only 0.66 in 2006, which means that Bath's lodging sales were 34 percent lower than the state average, indicating a weakness in this tourism indicator. Sales in Bath in this category are also becoming weaker relative to the rest of the state and Sagadahoc County.

Following are the graphs that show the City of Bath's retail-market-share analysis.



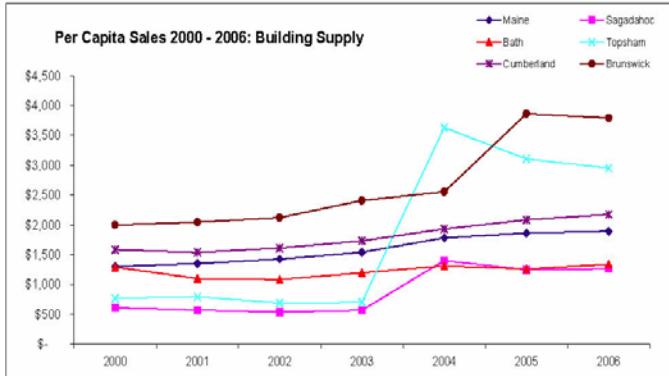
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Retail Sales Analysis

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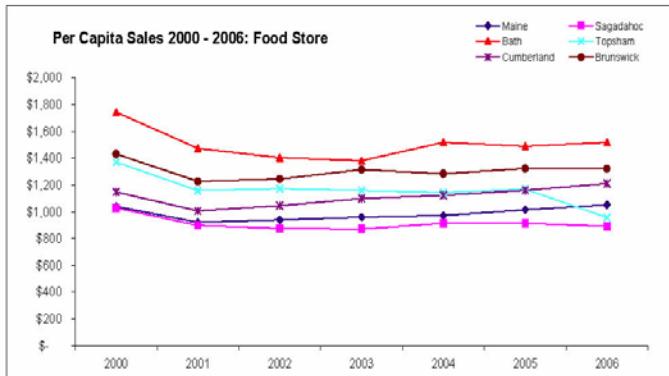
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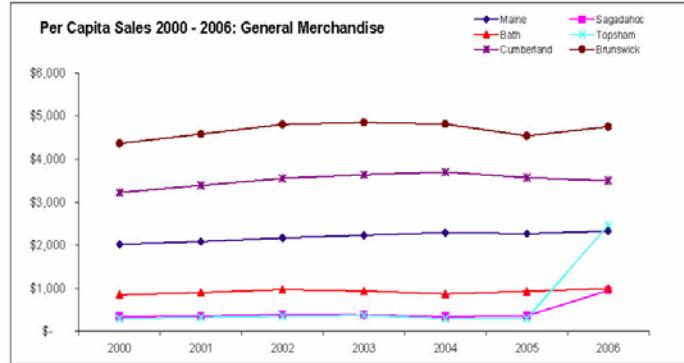
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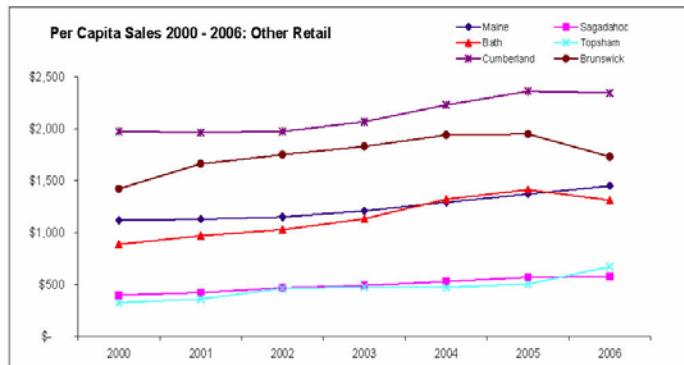
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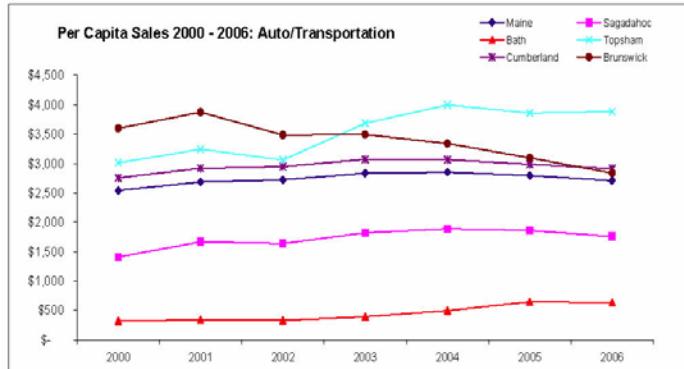
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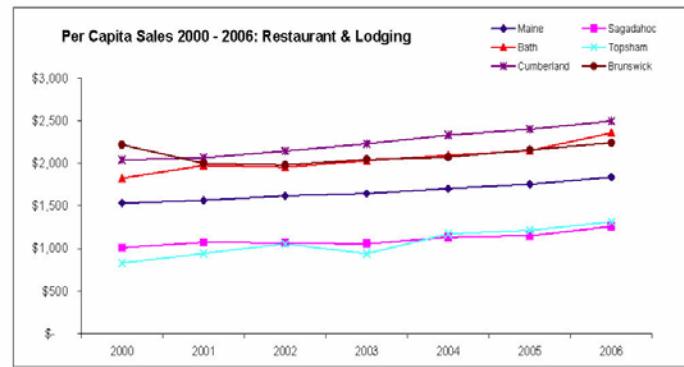
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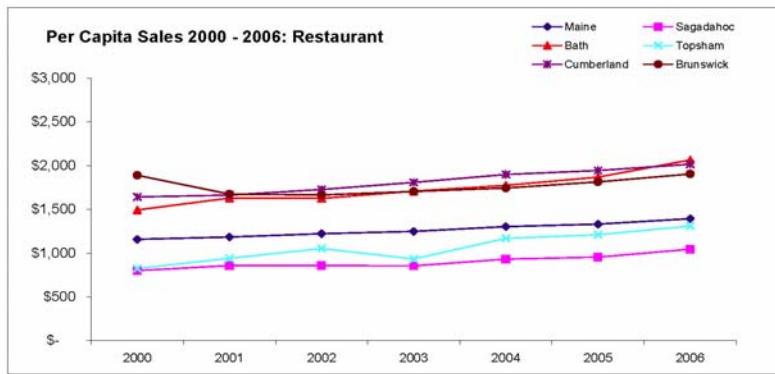
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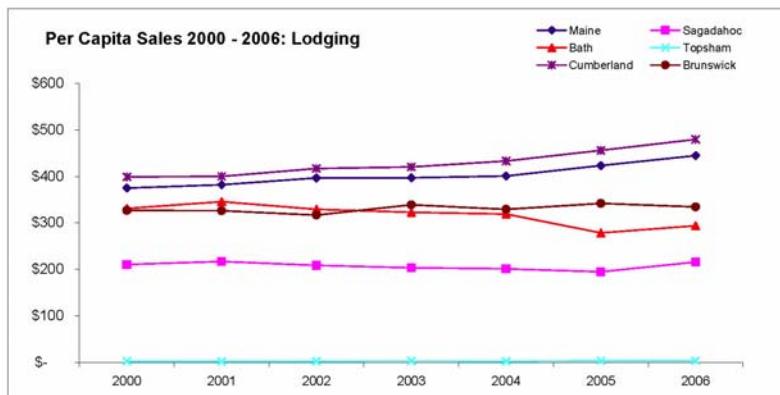
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ECONOMIC DEVELOPMENT

There is often some misunderstanding about what constitutes economic development. Is it the same as downtown development or redevelopment? Is it real estate development? Is it community development? According to an economic development text, *Planning Local Economic Development*, by Edward J. Blakely, "[l]ocal economic development refers to the process in which local governments or community-based organizations engage to stimulate or maintain business activity and/or employment. The principal goal of local economic development is to stimulate local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources." The American Economic Development Council defines *economic development* as the process of creating wealth through the mobilization of human, financial capital, physical, and natural resources to generate marketable goods and services. Another definition of economic development is the creation of jobs and wealth and the improvement of quality of life. Employment growth is a key component of economic development.

In the handbook written for the SPO by Evan Richert and Sylvia Most, entitled *Comprehensive Planning: A Manual for Maine Communities*, the authors state that the economy of a locale can be divided into two types of activities: "export" and "service" activities. Richert and Most explain that "export activities are those that, through sale of goods and services, bring dollars into the region from outside" and that "service activities are those that provide goods and services locally. They recirculate money that is already in the area, rather than bring in new money from outside."

An economy based strictly on local service activities has been compared to one in which members of the community are employed simply to do one another's laundry. No new money is brought into the system; only the same money is recirculated. Thus, there is no economic growth and no economic development.

Bath's economic-development activities are coordinated by the City Manager with support from the Assistant City Manager, the Planning Director, the Community Development Director, and the City Council-appointed Economic Development Committee. The City has no written economic development strategy; however, the unwritten goal is to diversify the economy (i.e.,

create new jobs and a new tax base) that has for so long relied on the jobs and tax base provided by BIW.

The City Council has also formed a local development corporation (LDC). The board of this City Council-appointed corporation can straddle the public-private sectors to manage and/or promote development. The City Manager, Planning Director, several City Councilors, and appointed citizens are members of the Board of Directors of the Bath LDC.

The City is also an active member of the Midcoast Economic Development District (MCEDD). This Economic Development Administration-recognized regional district includes the municipalities of Sagadahoc and Lincoln Counties and Harpswell and Brunswick. Periodically, the MCEDD prepares a regional economic development plan referred to as the Comprehensive Economic Development Strategy (CEDS). The goals of this regional group also include economic diversification and job creation.

The infrastructure in place to support economic development includes the City's multi-modal transportation system, public sewer and water, three-phase power, cable, telephone and high-speed Internet. The City does not have a source of natural gas. Tools used to promote economic development include the Military Redevelopment Zone (discussed in a subsequent section), the TIF process (discussed in Appendix J, Fiscal Inventory), and the City's quality of place, which is discussed throughout this Comprehensive Plan.

IMPACT OF THE BNAS CLOSING

In 2005, the federal Base Realignment and Closure Commission (BRAC) voted to close BNAS. The naval air station was built in 1943 on a 1,487-acre parcel of land that was willed to the needy people of Brunswick for the purpose of picking blueberries. After World War II, BNAS was closed and the property was leased to the University of Maine and Bowdoin College so that the two educational institutions could expand to accommodate the influx of students attending college on the G.I. Bill. Both schools gave up their leases in 1949 and the property was then controlled by the Brunswick Flying Service, although still owned by the federal government. In 1951, the air station again was needed by the federal government. Since then, BNAS served the U.S. Navy in various capacities, primarily for antisubmarine surveillance.

According to the Summary and Recommendations section of the SPO's report, "Understanding the Impact: Closing the Naval Air Station Brunswick," published in January 2007:

Naval Air Station Brunswick is currently one of Maine's largest employers. But compared to a manufacturing firm of similar size, it has fewer direct economic linkages to other Maine industries. The impacts of its closure will mainly be felt through reductions in local household consumption with little spillover to the high value-added sectors of the economy, such as manufacturing, information, or professional services. After peaking in the final year of the base closure, direct and indirect job losses stabilize, as does GSP [Gross State Product] growth, and population growth starts to show signs of recovery. Furthermore, even with near-term annual reductions of \$400 million GSP and 6,000 jobs, the state economy is still expected to grow. Growth will simply be at a slightly slower pace for a few years. The forecast coincides with the generally favorable long-term economic outlook for Brunswick and the rest of the Mid-Coast Region.

The results of this analysis offer important guidance for helping the regional and state economies adjust to life after NASB. First, most of the base closure's impact will stem from the lost spending of households supported by federal military and civilian jobs. That underscores the need to repopulate the base and surrounding areas with new households and replenish the community with new families. The availability of prime commercial and industrial real estate, and the instant availability of affordable housing units, will play key roles in this effect.

Second, the relative health of the Mid-Coast Region bodes well for economic recovery, but the region may be susceptible to economic shocks during the recovery period. Historically, NASB has helped to shield the region from negative shocks because military employment is fairly insensitive to market cycles (i.e., economic booms and recessions). Without NASB, the region becomes more susceptible. The industries and communities that are most effected by the closure will be especially vulnerable to additional shocks.

Third, studies from prior BRAC rounds show that most communities recover from major base closures. Some actually experience higher long-term economic growth if military facilities are successfully converted to private-sector uses. But the transition period immediately following the closure is often challenging for individuals, communities, and businesses with direct ties to the base. Swift economic recovery hinges on early planning, leadership, coordination of key stakeholders, and full community involvement.

Fourth, redevelopment efforts must also be cognizant of prevailing market forces. In particular, on- and off-base redevelopment plans should capitalize on the unique strengths and assets of the Mid-Coast economy.

MILITARY REDEVELOPMENT ZONE

In 2003, the Maine Legislature created areas, or districts, throughout the state called Pine Tree Zones. The purpose of the Pine Tree Zone legislation was to stimulate business investment in economically distressed regions of the state. For businesses that are "Pine Tree Zone-qualified," there would be corporate income tax credit, employment tax increment financing, insurance premium tax credit, availability for local tax increment financing, sales and use tax exemption, and reduced utility rates. Qualified businesses must include those that fit into the following categories: advanced technologies for forestry and agriculture, aquaculture and marine technology, biotechnology, composite materials, environmental technology, financial services, information technology (IT), manufacturing, and precision manufacturing. The City of Bath is not located in an area designated by the original Pine Tree Zone legislation.

In 2005, the Maine Legislature created an additional Pine Tree Zone area that has important benefits for the City of Bath and Bath businesses. This area includes the LMA that will be most affected by the closure of BNAS. The new designation is called the Military Redevelopment Zone and Bath is located in this zone. The designation provides benefits to businesses and is for the categories of businesses cited previously.

PLANNING IMPLICATIONS OF THE BATH ECONOMY INVENTORY

1. For many industry categories, the percentages of state-resident workers, regional-resident workers, and Bath-resident workers are similar to one another. In 1990, Bath had a high percentage of resident workers in manufacturing; although the percentage dropped in 2000, it was still higher than the region and the state.
2. The major employer in Bath—BIW—is also one of the state's largest private employers and is the state's largest manufacturer. Other employers in Bath are considered small- or medium-sized. Bath (and the Midcoast Region) is very dependent on BIW for jobs.

3. Because of the significant employment at BIW, Bath has a high jobs-to-worker ratio. In fact, there is 2.5 times as many jobs in Bath as there are Bath-resident workers.
4. Whereas Bath-resident workers receive high wages—higher than the Sagadahoc County and state averages—the nonwage sources of income (e.g., retirement accounts, pensions, social security) are below the county and state per capita averages.
5. Home-based businesses are where many larger businesses get their start. The City of Bath is flexible when it comes to starting a home-based business in a residential area, provided it does not negatively impact the residential qualities in the neighborhood.
6. The unemployment rate in Bath has consistently been below the state average, even with layoffs that occur at BIW.
7. Many retail sectors in Bath show moderate to high weakness compared to the state and the neighboring, competing communities of Topsham and Brunswick. Overall, Bath's taxable per capita retail sales are 32 percent lower than the state average. Aspects of the retail market that show the most promise are niche sales, which appeal to the tourism market; consumer goods that may appeal to higher quality and/or a high level of customer service; and the restaurant category. By focusing on various specialty goods and other niche markets, and by offering high levels of service, Bath retailers would be distinct from the malls and "big-box" retailers. Also, there would be value in marketing the downtown (including its restaurants and specialty shops) such that the whole is greater than the sum of its parts—marketing it as an attractive destination.
8. The multiplier or spin-off effects of further downsizing of BIW coupled with the decision to close BNAS in 2011 potentially bode poorly for the regional economy without active programs to diversify and reduce dependency on the defense industry.
9. The industry clusters growing in the Midcoast Region may be an opportunity for Bath's economic-development focus.

10. It is important that Bath's economic-development activities focus on job-creation types of businesses. The City of Bath must use its unique, competitive advantages—the quality of place, historic architecture, Maine Maritime Museum, and waterfront—for economic development.
11. The report by the SPO on the impacts of the BNAS closure states that "redevelopment efforts must be cognizant of prevailing market forces. In particular, on- and off-base redevelopment plans should capitalize on the unique strengths and assets of the Mid-Coast economy."
12. The report titled "Measures of Growth 2007," written for the Maine Economic Growth Council, is a reminder that "in order for societies to thrive, they must focus investment in their people [this means education] as well as in cutting-edge technology."