

ECONOMIC CHALLENGES AND RECOMMENDATIONS

Clearwater Basin Collaborative

Clearwater & Idaho Counties



**HEADWATERS
ECONOMICS**

September 30, 2009

TABLE OF CONTENTS

Challenges

Economic decline, and vulnerability in current recession	p. 4
Public lands potential not realized	p. 12
Rural, isolated counties face competitiveness hurdles	p. 19

Recommendations

Reposition wood products industry	p. 22
Capitalize on proposed public lands designations	p. 23
Address remoteness	p. 24

About Headwaters Economics

Headwaters Economics is an independent, nonprofit research group. Our mission is to improve community development and land management decisions in the West. For more information about Headwaters Economics, go to: www.headwaterseconomics.org.

Headwaters Economics prepared this report for consideration by the Clearwater Basin Collaborative as members deliberate a public lands bill. For more information on this report, contact Ben Alexander: 406-599-7423, ben@headwaterseconomcs.org.

This report and additional economic and fiscal resources are available at the web site: www.headwaterseconomics.org/clearwater.

EXECUTIVE SUMMARY

Challenges

Economic decline, and vulnerability in current recession

- Net outmigration, below-average economic growth, and falling earnings per job
- Significant, long-term decline in wood products industry
- Current recession highlights local vulnerability to business cycles

Public lands potential not realized

- Wood products industry struggles with conflict and supply variability
- Recent gains in recreation activity may be reversing
- Communities not taking advantage of amenity attractions on adjacent public lands

Rural, isolated counties face competitiveness hurdles

- Difficulty connecting to larger population centers and markets
- Natural amenities helpful but not sufficient condition for economic growth
- Retraining and educational opportunities limited

Recommendations

Reposition wood products industry

- Minimize supply fluctuations from public lands
- Focus on value-added products and develop new markets such as biomass
- Balance commercial timber with restoration activities

Capitalize on proposed public lands designations

- Ensure new protective designations create additional visibility for region
- Make investments in forest recreation and visitor infrastructure
- Sustain or increase federal employment

Address remoteness

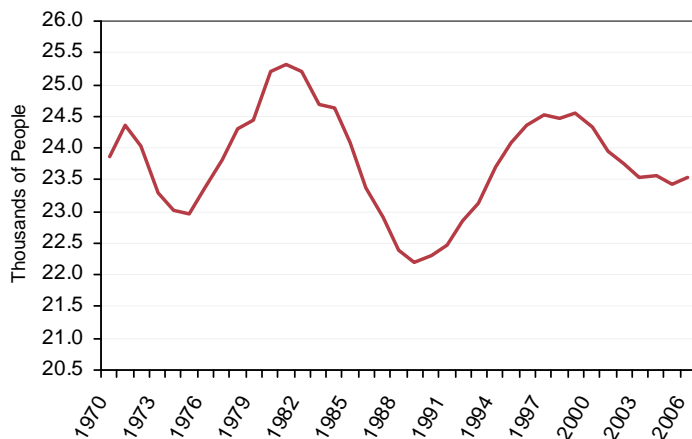
- Increase access to commercial air service
- Improve telecommunications access, speed, and affordability
- Offer distance learning opportunities

CHALLENGES

Economic Decline, and Vulnerability in Current Recession

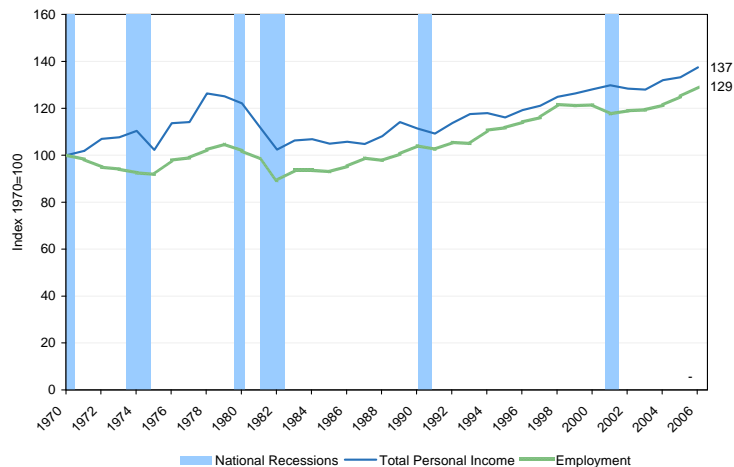
Population size in the two-county region has been volatile. Over the last three decades the population has been as high as 25,305 (in 1981) and as low as 22,190 (in 1989). In 2006, population was 23,528, which represents a net loss of 345 people since 1970.¹ There is some indication that families make up a significant proportion of this net out-migration, while the limited in-migration to the region consists of a greater proportion of retirees.²

Figure 1: Population Trends in Region, 1970 to 2006



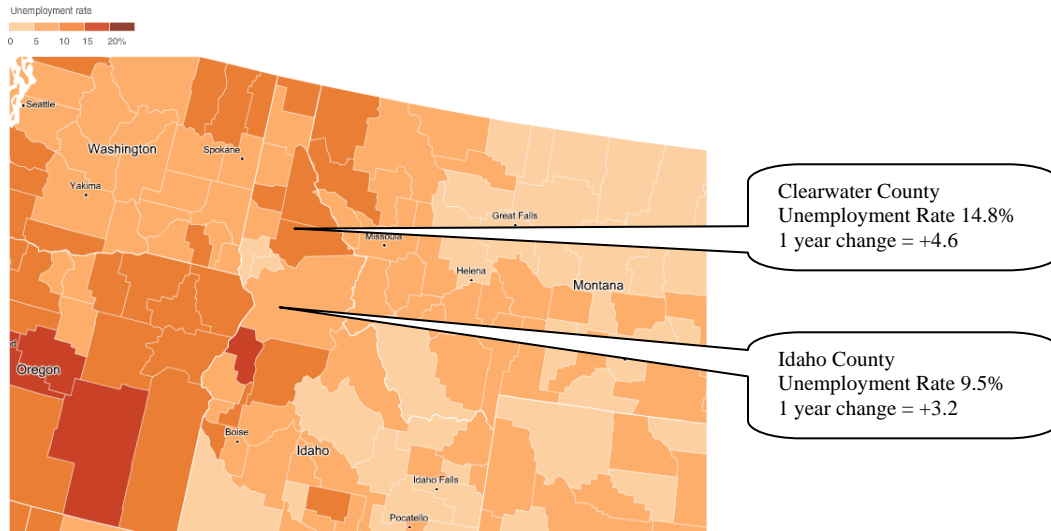
Since the early 1980s, employment and personal income trends in the two-county region have been less volatile than changes in population. Jobs and personal income have grown consistently since 1982, though each has experienced short-term declines during national recessions (see vertical blue bars in Figure 2 below).³

Figure 2: Employment and Personal Income Trends in Region, Indexed, 1970 to 2006



In the current recession, the unemployment rates in both counties have increased significantly. Counties with more specialized economies and a heavy reliance on the wood products industry have been highly impacted.⁴

Map 1: Unemployment Rates by County, May, 2009

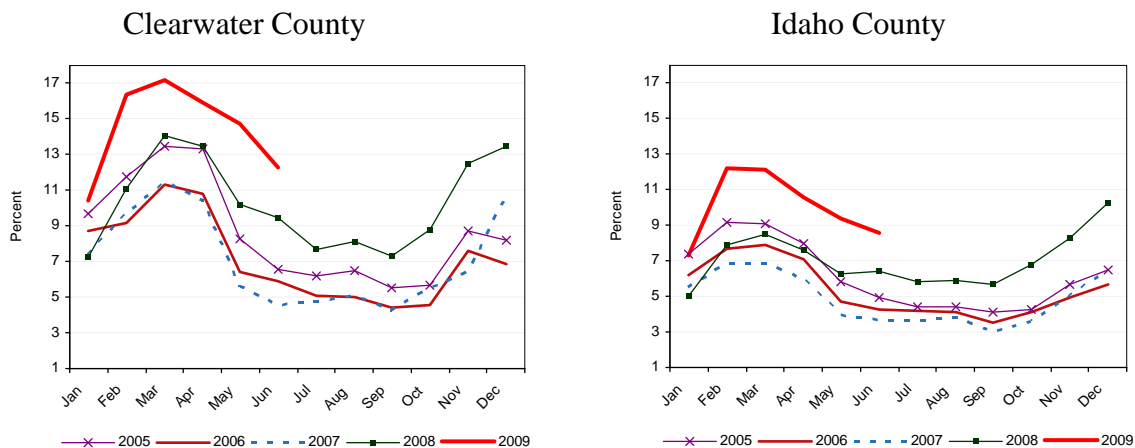


Clearwater County, with a smaller and less diverse economy, and greater reliance on the wood products industry, has been hit harder. The May, 2009 unemployment rate was 14.8 percent, an increase of 4.6 percent in the last year.

Idaho County, with a larger and more diverse economy, and smaller reliance on the wood products industry, has fared better. The May, 2009 unemployment rate was 9.5 percent, an increase of 3.2 percent in the last year.

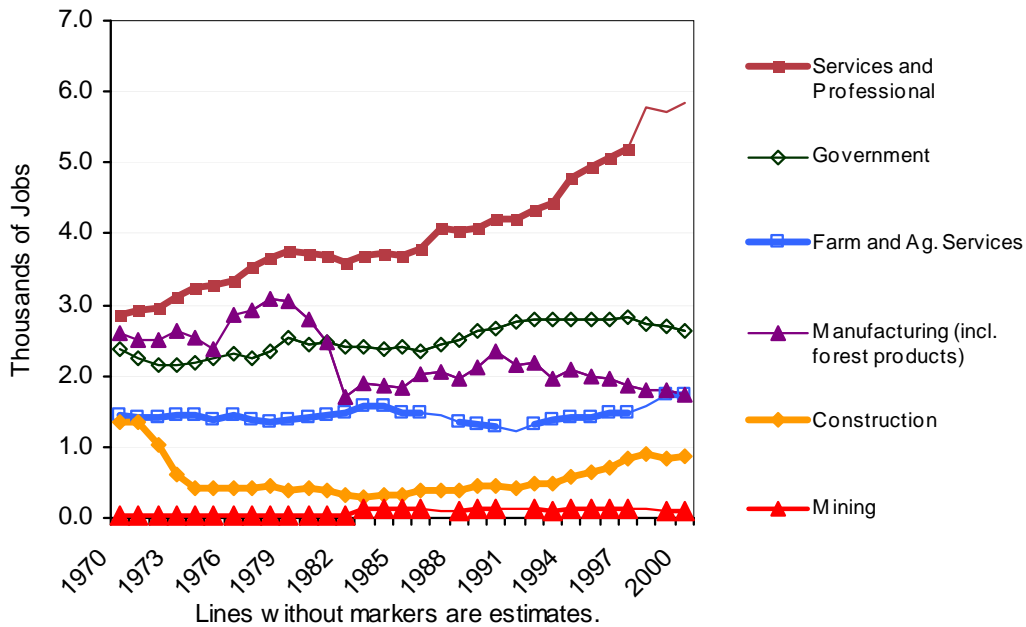
Unemployment is highly seasonal. There is lower unemployment in summer and early fall, and higher unemployment in winter and spring. The unemployment rate can swing as much as six percentage points in a calendar year.⁵

Figure 3: Seasonality of Unemployment in Region, 2005 to 2009



More than any other industry, wood products manufacturing experienced the largest declines in recent decades. From 1978 to 1982, employment in this sector declined by 45 percent, shedding 1,369 jobs in the two counties. Since then, timber-related employment has fluctuated more moderately but its share of total employment has continued to decline.⁶

Figure 4: Employment by Major Sector in Region, 1970 to 2000

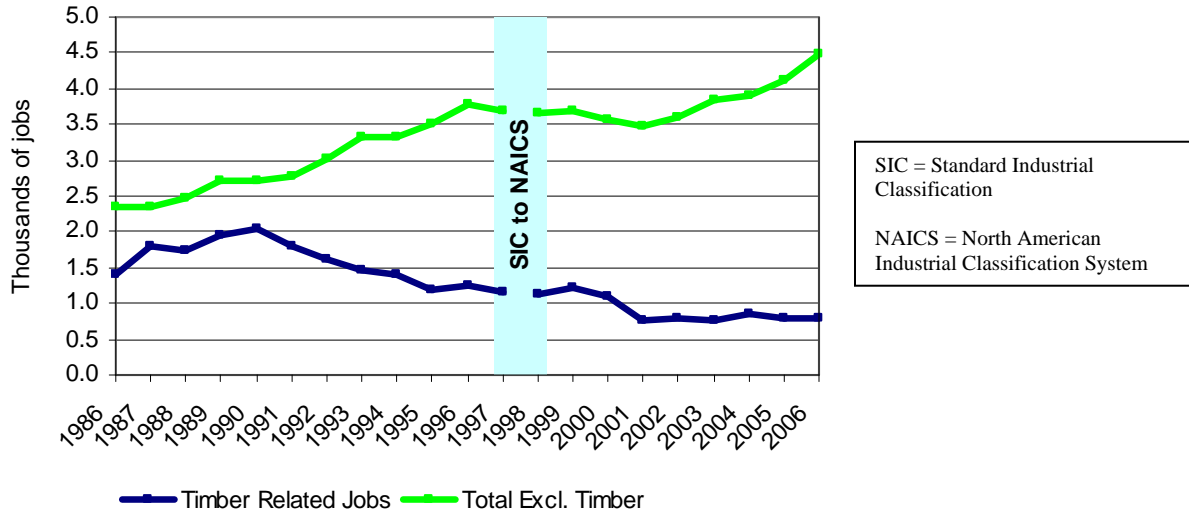


Note: this same industry-level employment data through 2006, organized according to the North American Industry Classification System, can be viewed in the two-county aggregate profile (see page 29) available at: www.headwaterseconomics.org/clearwater.

Nevertheless, the two-county area still retains a significant wood products industry. In 2006, timber-related employment accounted for 18 percent of total private wage and salary employment in Clearwater County, and 13 percent in Idaho County.⁷

Although the decline of the wood products industry has hurt overall economic performance, it has not pulled the entire economy down. The overall economy has grown, in other words, even when wood products industries have declined. This decoupling, which began in the early 1990s, can be seen in Figure 5 below.

Figure 5: Timber-Related Jobs Compared to All Other Jobs in Region, 1986 to 2006



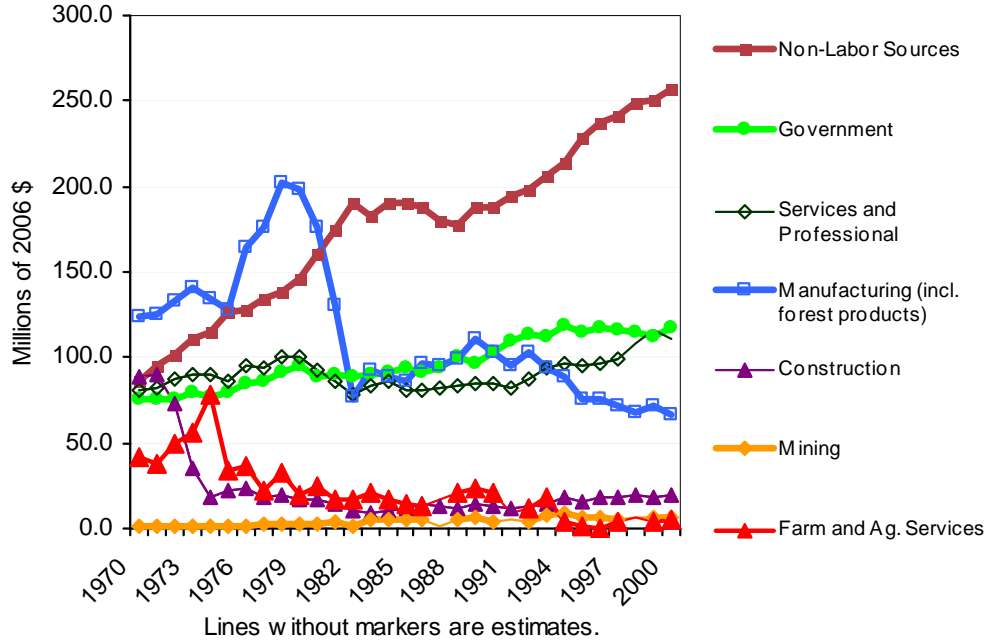
From 1986 to 1997, when industry-level data was organized by the Standard Industrial Classification method, timber-related jobs shrank by 262 while all private jobs excluding timber grew by 1,330. From 1989 to 2006, when industry-level data was organized by the North American Industrial Classification System method, timber-related jobs shrank by 318 while all private jobs excluding timber grew by 834.⁸

Over the last several decades, employment and personal income growth in the two counties has taken place primarily in a mix of service and professional industries, and non-labor income.

Services have evolved to include a range of industries ranging from lower-skill, lower-paying sectors (e.g., accommodation and food services) to higher-skill, higher paying sectors (e.g., professional and technical services). As the following pages will show, the region has not been able to attract enough higher-wage service industries and jobs.

Service and professional employment increased by almost 3,000 jobs from 1970 to 2000, adding more than 130 percent of net new employment (more than 100 percent because of losses in other sectors such as manufacturing) in this period.⁹

Figure 6: Personal Income by Major Sector in Region, 1970 to 2000

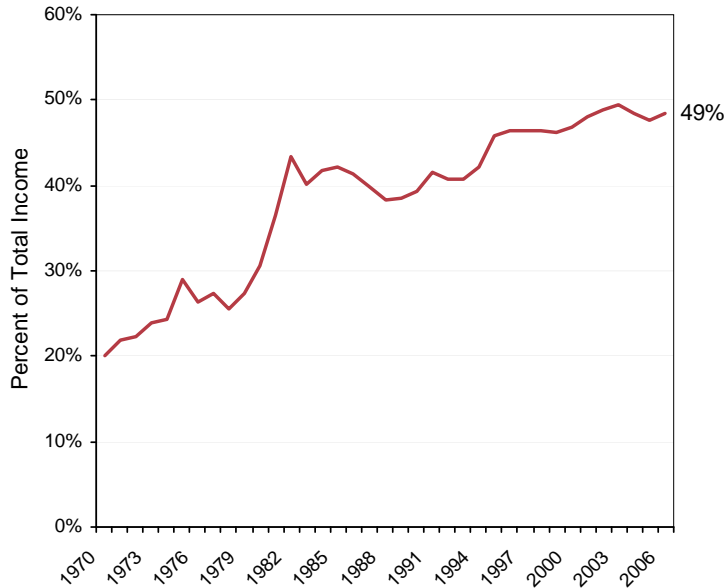


Note: this same industry-level personal income data through 2006, organized according to the North American Industry Classification System, can be viewed in the two-county aggregate profile (see page 31) available at: www.headwaterseconomics.org/clearwater.

Non-labor income is a mix of investment income (dividends, interest, and rent) and government transfer payments to individuals (mainly retirement related).

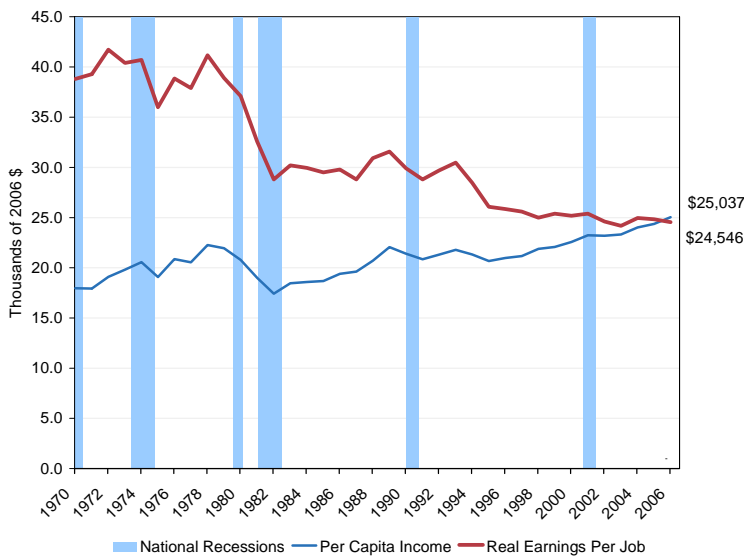
Non-labor income added over \$170 million in new income from 1970 to 2000 and made up 145 percent of net new personal income (more than 100 percent because of losses in other sectors such as manufacturing) in this period. In 2006, non-labor income was the single largest source of income in the two-county region, accounting for 49 percent of total personal income.¹⁰

Figure 7: Non-Labor Income as a Percent of Total Personal Income in Region, 1970 to 2006



Earnings per job have steadily declined in the region—falling from \$38,793 in 1970 to \$25,546 in 2006, in real terms—largely due to contractions in the wood products industry. In contrast, per capita income has steadily increased—rising from \$17,956 in 1970 to \$25,037 in 2006, in real terms—largely due to increases in non-labor sources of income.¹¹

Figure 8: Earnings Per Job and Per Capita Income Trends in Region, 1970 to 2006



Wages in the two-county region vary significantly across industries, and between the public and private sector. Wages in goods producing sectors (\$32,671) exceeded wages in service providing sectors (\$22,358) in 2006. Wages in the public sector (\$33,132) exceeded wages in the private sector (\$25,828) in 2006.¹²

Table 1: Employment and Wages in Region, 2006

Sector	Employment	% of Total	Average Annual Wages
Total Private & Public	7,651	100%	28,092
Total Private	5,284	69%	25,828
Goods-Producing	1,778	23%	32,671
Natural Resources and Mining	500	7%	33,080
Agriculture, forestry, fishing & hunting	421	6%	32,567
Mining	79	1%	35,814
Construction	508	7%	28,876
Manufacturing (Incl. Forest Products)	770	10%	34,911
Service-Providing	3,506	46%	22,358
Trade, Transportation, and Utilities	1,298	17%	25,430
Information	61	1%	21,742
Financial Activities	224	3%	28,327
Professional and Business Services	163	2%	28,579
Education and Health Services	991	13%	24,791
Leisure and Hospitality	646	8%	10,204
Other Services	121	2%	15,498
Total Public	2,368	31%	33,132
Federal Government	635	8%	52,056
State Government	495	6%	37,467
Local Government	1,238	16%	21,693

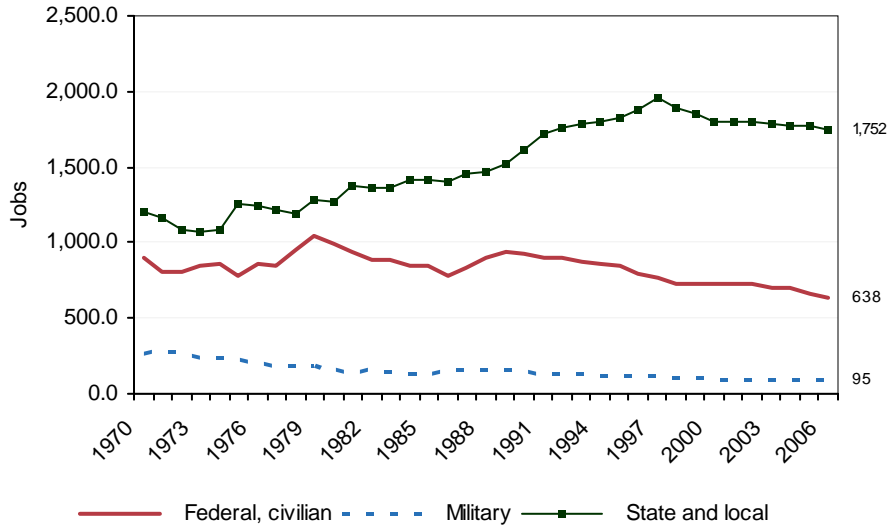
Note: Wages shaded in green when they are more than 20% higher than the wages for all sectors and in red when they are less than 20% lower.

The regional economy has expanded its service-providing sectors in recent decades. These sectors were almost half (46%) of total wage and salary employment in 2006. However, the two counties continue to have difficulty capturing higher-paying service jobs.

Government jobs were almost a third (31%) of all wage and salary employment in the region in 2006. These jobs pay better on average than private sector employment. This is largely because of federal jobs, which pay the highest wages in both counties.¹³

Overall, government employment has grown over the last three decades. State and local government jobs account for this growth. Federal jobs, which are the highest paying in the region, however, have declined by almost 40 percent since the late 1970s.¹⁴

Figure 9: Government Employment by Type in Region, 1970 to 2006



Categorizing Tribal Government

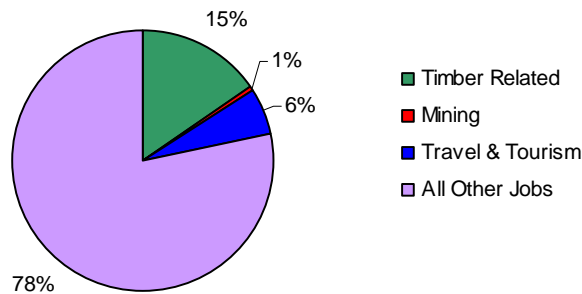
Starting in 2001, the Bureau of Labor Statistics began categorizing Indian tribal governments and enterprises in local government, whereas they were previously counted in the relevant private industries. So, for example, employees of casinos owned by tribal governments were counted under “Amusement, Gambling, and Recreation industries” but are now listed under local government.¹⁵

The 2000 Decennial Census identified 2,509 people as “American Indian alone” in Clearwater, Idaho, Lewis and Nez Perce counties, and there were 741 jobs counted as public administration on the Nez Perce Reservation in 2000.¹⁶

Public Lands Potential Not Realized

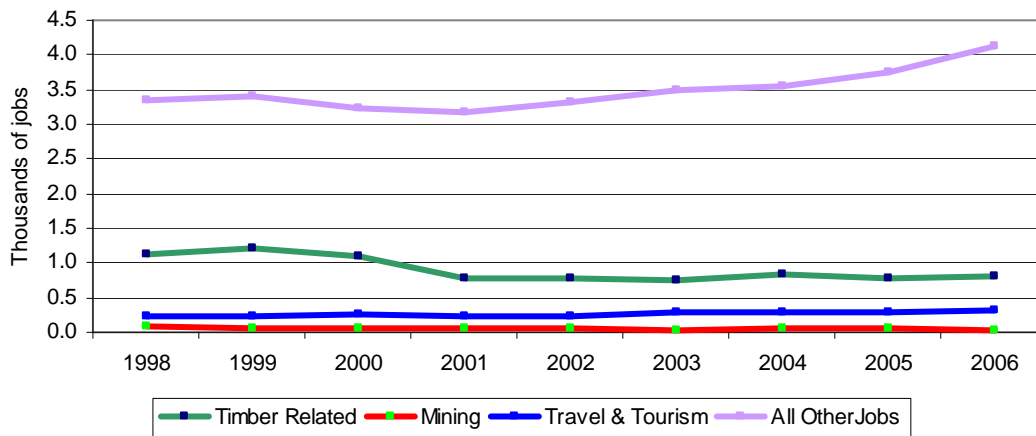
Public lands resources are important economic assets in Clearwater and Idaho counties. Economic activities associated with the *direct use* of public lands – timber, and travel and tourism – made up 21 percent of region’s private employment in 2006.¹⁷ Mining in the region does not appear to be related to public lands.

Figure 10: Employment in Major Sectors Related to Public Lands in Region, 2006



However, over time the combined sectors that do not directly use public lands have grown the fastest. In 2006, this portion of the regional economy represented 79 percent of the area’s total private employment.¹⁸

Figure 11: Employment Trends in Major Sectors Related to Public Lands in Region, 1998 to 2006



Wood Products Industry

The largest local industry that uses public lands resources is the wood products industry at 15 percent of total private employment in 2006. Among many competitive challenges, this industry has had to adapt to an inconsistent and diminishing supply of timber from public lands such as the Clearwater National Forest.¹⁹

The regulatory framework of the Forest Service has shifted to reflect changing attitudes and opinions about how National Forests should be managed. In the past, efforts by the agency were directed largely toward maintaining a sustained flow of timber, and meeting the difficult goal of providing community stability.

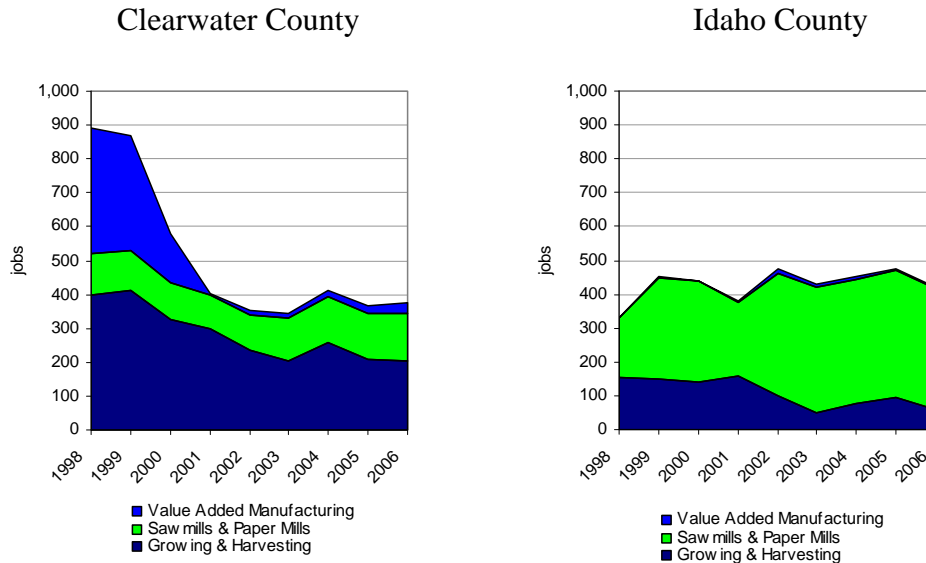
Today the focus of the Forest Service centers more on maintaining and improving the condition of the land, with job-creation and economic benefits as a secondary benefit.²⁰ According to a recent U.S. Government Accounting Office report, “The Forest Service is placing its emphasis on the ecological sustainability of the national forests and indicates that the focus of the forest management program will shift even further toward using timber sales to accomplish ecological objectives.”²¹

Although public lands supply reductions have contributed to forestry and related manufacturing employment declines and mill closures, it is by no means the only challenge the wood products industry faces. The availability of alternative supplies, business cycles (such as the current recession), prices, transportation costs, and other factors are important to competitiveness. In addition, wood products manufacturing is a “mature” industry (i.e., it is capitalized with labor-saving machinery) and future increases in production are more likely to result from investments in capital facilities than by adding new jobs.

It is possible to place too great an emphasis on the importance of timber supply to overall competitiveness. In a report Headwaters Economics produced for the Northeast Washington Forestry Coalition, for example, we found that lumber prices had a stronger correlation with employment trends than the supply of National Forest timber. We also found that a consistent timber supply, whether from public or private lands, supports industry stability.²²

In order to track how well the region has been able to capture the maximum value from harvested timber, we break timber-related employment into three processing stages. Figure 12 on the next page shows employment trends for each stage from 1998 to 2006.²³

Figure 12: Timber-Related Jobs by Stage of Processing in Clearwater and Idaho Counties, 1998 to 2006



"**Sawmills & Paper Mills**" includes the manufacturing that generally takes raw logs and does the first stage of processing.

"**Value Added Manufacturing**" includes manufacturing that generally takes the output from the primary manufacturing and produces finished products. These jobs tend to yield the most income per log.

"**Growing and Harvesting**" are jobs directly related to logging and forestry. These jobs typically are in the forest.

In the last decade, the wood products industry has taken a different trajectory in Clearwater and Idaho counties. Significant job losses occurred in smaller Clearwater County, which lost more than half of its timber-related jobs (416 jobs, mainly in “value added manufacturing”) between 1998 and 2006 (attributable in large measure to the closure of Potlatch’s JP Plant). Idaho County increased timber-related employment (99 jobs, mainly in “saw mills and paper mills”) by a third in the same time period (probably the result of Bennett Lumber’s expansion and move from Elk City to Grangeville).²⁴

Table 2: Employment Components (number of jobs) of the Wood Products Industry in Clearwater and Idaho Counties, 2006

Component of Timber Industry in 2006	Idaho ID	Clearwater ID	Region	Idaho	United States
Forestry and Logging	46	195	241	1,778	66,304
Support Activities for Forestry	11	7	18	343	13,491
Growing & Harvesting	57	202	259	2,121	79,795
Sawmills and Wood Preservation	361	143	504	3,318	118,483
Pulp, Paper, and Paperboard Mills	-	-	-	1,290	138,756
Sawmills & Paper Mills	361	143	504	4,608	257,239
Veneer, Plywood, and Engineered Wood Product M:	-	14	14	1,383	124,472
Other Wood Product Manufacturing	4	16	20	4,041	333,551
Converted Paper Product Manufacturing	-	-	-	526	302,674
Gum and Wood Chemical Manufacturing	-	-	-	-	2,057
Wood Television, Radio, and Sewing Machine Cabir	-	-	-	26	1,847
Wood Office Furniture Manufacturing	-	-	-	18	22,893
Value Added Manufacturing	4	30	34	5,995	787,494
Forestry and Logging	46	195	241	1,778	66,304
Support Activities for Forestry	11	7	18	343	13,491
Wood Product Manufacturing	372	170	542	8,742	576,506
Paper Manufacturing	-	-	-	1,816	441,430
Gum and Wood Chemical Manufacturing	-	-	-	-	2,057
Wood Television, Radio, and Sewing Machine Cabir	-	-	-	26	1,847
Wood Office Furniture Manufacturing	-	-	-	18	22,893
Total Timber Related	429	372	801	12,723	1,124,528
Valued Added Ratios					
(Mills + Value Added / Growing)	6.4	0.9	2.1	5.0	13.1
(Mills / Growing)	6.3	0.7	1.9	2.2	3.2

Note: light yellow cells in Table 2 denote estimates for data not disclosed by County Business Patterns.

Low value-added ratios (bottom of Table 2 above) indicate there may be opportunities for more value-added processing. The value-added ratios give an indication of how much timber-related employment is engaged in higher-value activities, and allows for comparisons between Clearwater and Idaho counties, and with the state and nation. Clearwater County's ratio of 0.9 is not favorable, while Idaho County's of 6.4 exceeds the state (5.0) but is less than half the nation (13.1).²⁵

During the strong growth years in the early 2000s, the wood products industry stabilized from an employment perspective in both counties. However, since 2006 these sectors have been profoundly affected by the national recession and a steep decline in demand for wood products.

The fate of the wood products industry is and will be important for the two-county area. It is a large regional industry and, like the recreation economy which is examined below, is mainly an export-oriented industry, bringing new dollars into regional communities. It also pays relatively high wages and has a healthy multiplier effect, which is a measure of the interdependence of business sectors within an economy.²⁶

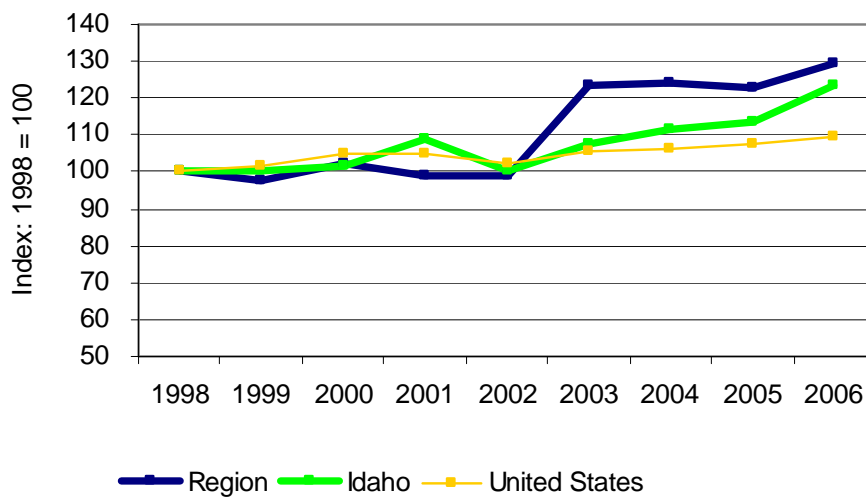
These strengths also have a downside. The scale and volatility of this industry means it has a disproportionate effect on overall economic well-being – though as we saw earlier the regional economy as a whole no longer fluctuates with the wood products industry per se. Clearwater and Idaho counties’ reliance on manufacturing continues to be significantly higher than for other rural western counties and is responsible for much of the economic contraction in the current recession.²⁷

In addition, export-oriented industries that bring in new dollars only sustain their higher multiplier effect if these dollars are spent locally. Shopping at the Costco in Lewiston or going to see a doctor in Boise sends these dollars back out of the local economy. Every rural community struggles with these leakages, but to keep the benefits of export-oriented activity these leaks need to be minimized.

Travel and Tourism Industry

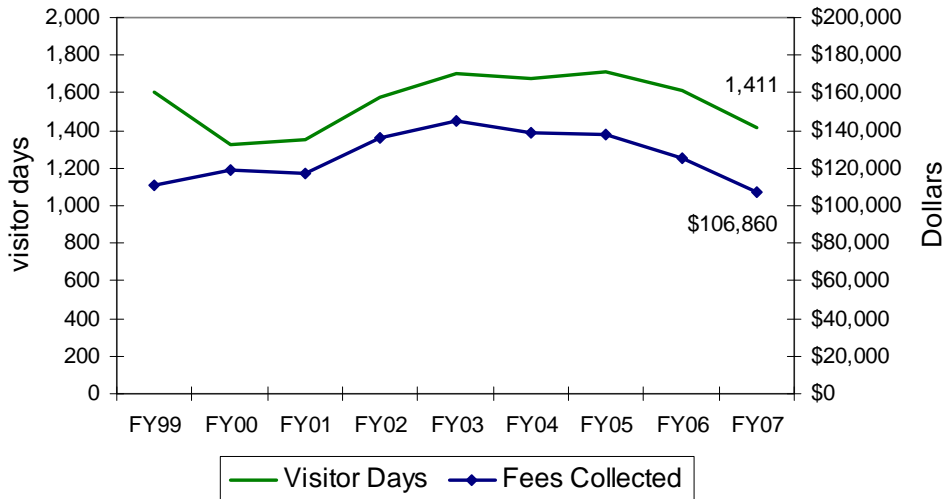
Like the wood products industry, the travel and tourism industry trades significantly on public lands natural resources. Since 1998, travel and tourism employment in the two-county area grew by 29 percent, which is faster than the state and nation. Most of this travel and tourism employment growth occurred in Idaho County in the early 2000s.²⁸

Figure 13: Travel and Tourism Employment Trends in Region Compared to State and Nation, Indexed, 1998 to 2006



In the current recession, it appears that recreation use on area public lands in the region has declined. On the Clearwater National Forest, for example, river, cabin, and outfitter use-days reversed course and began to decline in 2005. Figure 14 below shows camping and cabin use and fees.²⁹

Figure 14: Camping and Rental Cabin Use and Fee Trends on Clearwater National Forest, FY99 to FY07



This recent downturn may reflect changing demographics, declining infrastructure, resistance to paying user fees, higher fuel prices, and/or the impact of the current recession. Lodging sales tax receipts from the region continue to grow, however, suggesting that overall travel and tourism activity is still on the rise.

Travel and tourism jobs, called “leisure and hospitality” jobs by County Business Patterns, support low average wages—\$10,204 on average in the two-county area in 2006. To a certain extent this reflects the part-time and seasonal nature of these jobs. Within this category, however, there are a mix of wage rates which range from higher-paying guiding and outfitting to lower-paying accommodation and food services.

Economic Importance of Natural Amenities

The direct economic uses of area public lands are timber and related wood products, and recreation. These activities account for roughly 21 percent of total private employment in the two-county region, and are generally well understood.

In contrast, the broader economic benefits of natural amenities are often overlooked when considering the local economic role of public lands. It is worth asking whether the 79 percent of the regional economy that does not use public lands per se benefits from their presence and is sensitive to their management.

A large and growing body of literature has shown that natural amenities, including public lands, are economic assets in the rural West, and that these assets attract and retain people, including retirees, and business across a range of industries unrelated to the direct use of these amenities. The presence of public lands, and even more so for protected public lands, is correlated with more in-migration, faster employment and personal income growth, and higher earnings.³⁰

Rural, Isolated Counties Face Competitiveness Hurdles

The communities in Idaho County are remote from viable commercial air service—that is, they are well over an hour’s drive from a commercial airport with daily flights to metropolitan areas. Population centers in Clearwater County are closer, with Orofino just under an hour’s drive from Lewiston. Map 2 below shows one-hour drive times (blue lines) to regional commercial airports.

Map 2: Access to Major Airports in Region



Major Airports	States
✈ Major Airports	▭ States
Drive Time to Nearest Airport	Counties
▭ < 1-hr	▭ Counties
Major Roads	Federal Lands
— Limited Access Highway	▭ Federal Public Lands
— Principal Highway	

Data Sources: US Census, US Geological Survey
 World Mercator Projection
 Map Date: 8/31/2009



The Lewiston-Nez Perce County Airport is the closest viable commercial airport with 66,000 enplanements annually and daily service from two carriers (Delta and Horizon) to Salt Lake City, Boise, and Seattle.³¹ There is a linear relationship between the proximity of rural populations to commercial air service and improved performance across a range of economic indicators such as population, employment and personal income growth, and higher earnings and per capita income.

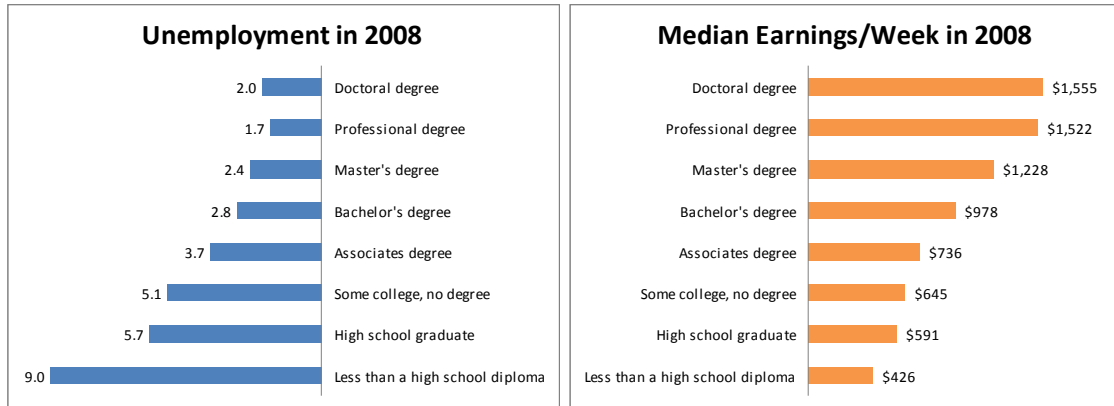
Clearwater and Idaho counties are both rural, and Idaho County is significantly more remote. When compared to rural and isolated county peers in the West, Clearwater and Idaho counties struggle in a number of areas. These include: slower population growth and fewer young people, higher unemployment, a greater dependence on lumber and wood products manufacturing, and lower levels of educational attainment. In most of these areas, Idaho County, which has a larger population and a more diverse economy that is less reliant on lumber and wood products, fares better than Clearwater County, indicating that remoteness is not the only barrier to area economic development.³²

However, remoteness will be a critical issue to tackle for the region looking ahead. Research shows that rural places cut off from easy access—via roads or commercial air travel—to larger population centers and markets have a more difficult time translating natural amenities on public lands into economic growth.³³ Another way to think about this challenge is that for rural and isolated counties natural amenities *by themselves* are typically not a sufficient condition for fostering broader economic development. They need to be coupled with other assets such as commercially-viable airport access to attract and retain people and business.³⁴

Both Clearwater and Idaho counties have spectacular public lands but remoteness adds to the difficulties of translating these assets into desirable economic growth. The region also lacks a destination which, along with associated branding and recreation infrastructure, would put the area on the radar of more people.

Finally, education is becoming more important for economic success.³⁵ This is true for both metropolitan and rural economies. As traditional resource extraction and manufacturing jobs become more technical in nature, and the broader U.S. economy, including rural areas, shifts from producing goods to providing services, technical skills and higher levels of educational certification are associated with more consistent employment and higher earnings.

Figure 15: Unemployment and Median Earnings by Level of Education in U.S., 2008



Clearwater and Idaho counties fare relatively well in educational certification. Roughly 18 percent of adults over 25 have less than a high school degree, while 14 percent of adults over the age of 25 have a college degree in the two-county area.³⁶ In addition, according to a recent education survey, rural Idaho school districts have some advantages such as smaller class sizes and more success meeting No Child Left Behind targets, but they are also more likely to have declining enrollment and to adopt four-day school weeks (as is the case in Orofino).³⁷

The skills and knowledge that may matter in coming years are those that will allow area youth and adults to compete successfully in a more technical forestry and manufacturing environment, and in higher-paying service sectors forecast to grow in the region.³⁸

Improving technical skills in the labor force and education rates generally is germane to public lands counties. As management of public natural resources becomes more complex (e.g., restoration) and participation in the higher-wage aspects of growing service industries (e.g., health care), communities with retraining opportunities and a better-educated labor force will reap greater economic benefits.

RECOMMENDATIONS

Reposition Wood Products Industry

The wood products industry will be an important part of future regional economic development efforts. However, because this industry is shrinking as a share of total economic activity in the area, it will not be the only solution to current economic difficulties.

Minimize supply contingencies from public lands

Look for opportunities to minimize wood supply fluctuations. This will likely involve accommodating changed public values and governing Forest Service regulations that are reflected in a shift from timber sales to managing for land health. It may require a careful balancing of supply from public and private timber lands. It could also mean a re-evaluation of the type of timber harvested, and harvest methods. Collaboration among multiple interested parties may help to resolve conflicts up front and avoid litigation. Timber supply is by no means the only issue of importance to the competitiveness of the wood products industry, but predictability will help establish a climate more favorable to future industry investments.

Focus on value-added products and develop new markets such as biomass

Because supply is only one part of the competitiveness of the wood products industry, other market conditions need re-examination as well. The current recession, with the steep decline in demand for wood products and prices, has made this point abundantly clear. Developing products that involve a higher level of processing and finish can yield higher returns, and new markets for forest products, including “waste” streams for biomass energy, can diversify the business and open up growth opportunities. Plugging leaks by using local contractors and meeting regional energy needs with local resources will also increase economic well-being by keeping more dollars in area communities.

Balance commercial timber with restoration activities

The emphasis on managing forested public lands has shifted from maintaining a sustained flow of timber to improving the condition of the land. In addition, there are likely to be barriers to accessing some timber resources on public lands, for example in roadless areas. Balancing the harvest of higher-value timber resources with activities that support long-term forest health can meet financial bottom line and land health goals simultaneously. This approach can underwrite pre-commercial thinning and restoration treatments. Traditional timber sales or stewardship contracts can be employed. One advantage of stewardship contracts is their “best value” guidelines and the ability to establish 10-year contracts.³⁹

Capitalize on Proposed Public Lands Designations

Protected public lands (e.g., Wilderness) are a competitive advantage in today's West. However, not all places are positioned to benefit economically from these special landscapes – more connected areas benefit more easily. Nor are all protected areas created equal – they vary by, among other things, size, location, scenic nature, permitted activities, and ease of access. Thinking in advance about how new public lands designations can complement regional economic strengths and weakness is important.

Ensure new protective designations create additional visibility for region

Clearwater and Idaho counties are out-of-the-way places. People who do not know local communities or the landscape probably will not find their way here. A more visible protected area, guarding special places while providing improved access, has the potential to make this part of central Idaho a destination for more people. This can stimulate recreational visits, but more importantly can create a sense of place that is attractive to people looking to relocate their families and businesses.

Make investments in forest recreation and visitor infrastructure

Since recreation is often the initial experience of visitors and can translate into a broader interest in the community and lifestyle of a place, it is important to make sure that passers by and people intent on enjoying the landscape, rivers, and cultural resources of the region have access to public lands, adequate interpretative material, and the support services they require. This investment could take different forms, ranging from new trails and visitor centers to additional backcountry rangers and camping facilities.

Sustain or increase federal employment

Since federal jobs are the highest paying in the region and come with generous benefits, they are important to regional communities. These jobs have been declining for decades as the timber program has gotten smaller and federal budgetary pressures lead to administrative consolidations. A public lands designation could lead to new federal employment to manage a new protected area, and these jobs would have a good chance of being located in regional communities.

Address Remoteness

Remoteness affects every aspect of current economic challenges and future economic opportunities in the two counties. Solutions to transportation, access, and visibility hurdles will bear fruit for virtually all industries and sources of income in the region.

Increase access to commercial air service

Better access to commercially-viable and affordable air service will go a long way toward breaking down distance constraints. The Lewiston-Nez Perce County Regional Airport is a good commercial airport. Ensuring that this facility sustains its service at a time when rural air service is being cut back will be important. Local governments and businesses may want to explore revenue guarantees with airlines to ensure or expand air service – a practice that is used across the West. Looking at improved road connections between area communities and Lewiston, and some form of shuttle service to make access more widely available may also make sense. Air travel is not just important for current residents and tourists, but also for people who would move to the area because of its friendly communities and spectacular public lands and have personal or business connections elsewhere.

Improve telecommunications access, speed, and affordability

Another constructive way to reduce barriers is to improve telecommunications. Currently, towns in the region have access to broadband internet service, but most unincorporated areas have only dial-up access. Studies have been completed on planning for regional communications upgrades, and a coalition of interests are submitting a proposal to the Broadband USA grant/loan program to enhance communications in the region.⁴⁰ Connecting this effort with the work of the Clearwater Basin Collaborative – through letters of support or demonstration of the synergies between communications improvements and reaping economic benefits of new public lands protections – could assist with making the case for the importance of making telecommunications improvements at the same time as implementation of new public lands management and possible protection.

Offer distance learning opportunities

The economy of the two-county region is growing, albeit slowly. This growth is being driven by a mix of service and professional occupations (and retirement-related income and needs). The region has a long way to go in capturing knowledge-based services associated with higher wages. New skills are key to succeeding. Lewis Clark State College and the University of Idaho are excellent resources. These may need to be complemented with distance learning opportunities so individuals with current jobs or difficulties commuting can retrain to participate in growing sectors of the regional economy. The Idaho Department of Labor has occupation and industry forecasts for Clearwater and Idaho counties. Most career and industry growth is expected to take place in service-related areas, with higher-paying opportunities requiring specialized skills.⁴¹

References

- ¹ Bureau of Economic Analysis (BEA), Regional Economic Information System (REIS), U.S. Department of Commerce, Washington, D.C., 2008. Table CA30. The term “region” in this report refers to Clearwater and Idaho counties.
- ² Headwaters Economics conversation with Heather Leach and Joyce Dearstyne.
- ³ BEA REIS 2008 Table CA30.
- ⁴ Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics (LAUS), U.S. Department of Labor, Washington, D.C, 2009; The New York Times, “Geography of a Recession,” www.nytimes.com/interactive/2009/03/03/us/20090303_LEONHARDT.html?ref=business.
- ⁵ BLS LAUS 2009.
- ⁶ BEA REIS 2008 Table CA25.
- ⁷ County Business Patterns (CBP), Bureau of the Census, U.S. Department of Commerce, Washington, D.C., 2008.
- ⁸ Ibid.
- ⁹ BEA REIS 2008 Table CA05.
- ¹⁰ Ibid.
- ¹¹ BEA REIS 2008 Table CA30.
- ¹² Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW), U.S. Department of Labor, Washington, D.C, 2008.
- ¹³ Ibid.
- ¹⁴ BEA REIS 2008 Table CA25 and CA25N.
- ¹⁵ Employment methodology explained at <http://www.bea.gov/regional/pdf/lapi2007/employment.pdf> on p. IX-9. Employment data from BLS QCEW 2008.
- ¹⁶ U.S. Census Bureau, Decennial Census, SF 2, U.S. Department of Commerce, Washington, D.C., 2000.
- ¹⁷ CBP 2008.
- ¹⁸ Ibid.
- ¹⁹ The decline in U.S. Forest Service harvests in the area can be seen by consulting the Forest Service’s “Cut and Sold” reports for Region I which are available at: <http://www.fs.fed.us/forestmanagement/reports/sold-harvest/cut-sold.shtml>.
- ²⁰ For more detail see the 2005 NFMA Planning Rule and the Planning Handbook , see: <http://www.fs.fed.us/emc/nfma/index2.html>
- ²¹ U.S. Government Accounting Office, “Forest Service: Amount of Timber Offered, Sold, and Harvested, and Timber Sales Outlays, Fiscal Years 1992 to 1997,” a Report to the Chairman, Subcommittee of Department Operations, Oversight, Nutrition, and Forestry, Committee on Agriculture, House of Representatives, June 1999. GAO/RCED-99-174.
- ²² See Timber, Restoration Forestry and Wilderness in Northeast Washington, Headwaters Economics, June 2007. Available at: <http://www.headwaterseconomics.org/newwash.php>.
- ²³ CBP 2008.
- ²⁴ CBP 2008; Headwaters Economics conversation with Mike Hanna.
- ²⁵ CBP 2008.
- ²⁶ For an easy to understand summary of economic base theory and multipliers, see: <http://mailer.fsu.edu/~tchapin/garnet-tchapin/urp5261/topics/econbase.htm#Economic Base Techniques>. It is important to note that every industry has basic and non-basic components. For details on multipliers, visit Bureau of Economic Analysis RIMS II data online: <https://www.bea.gov/regional/rims/rimsii/home.aspx>.
- ²⁷ Clearwater County’s reliance on manufacturing employment is 1.8 standard deviations from the mean greater than for other rural and isolated counties. Idaho County’s reliance is 1.1 standard deviations from the mean greater. See: <http://www.headwaterseconomics.org/3westschOOSE1.php>.
- ²⁸ CBP 2008.; BEA travel and tourism methodology is explained here: www.bea.gov/scb/pdf/2004/09September/0904_TTSAs.pdf.
- ²⁹ See U.S. Forest Service Recreation Enhancement Act data, available from Carol Hennessey on the Clearwater National Forest (208-935-4270), Anthony Botello on the Nez Perce National Forest (208-983-4012), and on the web at: www.fs.fed.us/passespermits/about-rec-fees.shtml.

³⁰ See, for example, McGranahan, David. 1999. Natural Amenities Drive Rural Population Change, USDA, Economic Research Service, Report No. AER781, available at: www.ers.usda.gov/Publications/AER781; and Rasker, R. 2006. "An Exploration Into the Economic Impact of Industrial Development Versus Conservation on Western Public Lands." *Society and Natural Resources*. 19(3): 191-207.

³¹ See www.vaseyaviation.com/enplane06.xls for enplanements numbers. Fifteen-thousand annual enplanements is generally considered a cutoff for commercially viable airport.

³² For more information on comparative economic performance of Clearwater and Idaho counties, see the interactive resource available at: www.headwaterseconomics.org/3westschoose1.php.

³³ Rasker, R., P.H. Gude, J.A. Gude, J. van den Noort. 2009. The Economic Importance of Air Travel in High-Amenity Rural Areas. *Journal of Rural Studies* 25(2009): 343-353.

³⁴ Rasker, R., P.H. Gude, J.A. Gude, J. van den Noort. 2009. The Economic Importance of Air Travel in High-Amenity Rural Areas. *Journal of Rural Studies* 25(2009): 343-353.

³⁵ See, for example, BLS findings on the relationship between education, earnings, and unemployment, available at: <http://www.bls.gov/emp/emptab7.htm>.

³⁶ U.S Census Bureau, 2000 Decennial Census.

³⁷ Idaho at a Glance: Rural Education 2009. University of Idaho. 2009. For additional information on local areas, see: <http://www.cals.uidaho.edu/uicsc/ruraled>.

³⁸ For North Central Idaho projections see "Regional Projections" at: <http://lmi.idaho.gov/AreaLMI/NorthCentral/IdahoCounty/tabid/2208/Default.aspx>.

³⁹ For helpful resources on stewardship contracting, see: <http://www.sustainablenorthwest.org/resources/collaboration-and-stewardship>.

⁴⁰ Studies include the 2006 North Central Idaho Telecommunications Assessment and Implementation Plan, and more recently the 2008 Wide Area Network Implementation Plan. For more information, contact Christina St. Germaine, Clearwater County EDC (208-476-9829).

⁴¹ For North Central Idaho projections see "Regional Projections" at: <http://lmi.idaho.gov/AreaLMI/NorthCentral/IdahoCounty/tabid/2208/Default.aspx>.