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Pioneer Ports Economic Impacts On the Regional Economy

Measuring the cumulative impacts of the Pioneer Ports, Port of Lewiston, Port of Clarkston and Port of Whitman County as the Quad County lead economic development agencies

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Executive Summary

The Pioneer Ports sponsored, Steven Peterson,¹ a research economist and Clinical Assistant Professor of Economics at the University of Idaho to conduct an economic impact study of the Pioneer Ports (i.e. Ports of Clarkston, Lewiston, and Whitman County); which is an update of a previous study in 1997. Key conclusions:

The Pioneer Ports primary mission is job creation and economic development. They provide vital commercial and industrial infrastructure necessary for the future growth of entrepreneurs in the Quad County and broader regional economy.

The Pioneer Ports are regional leaders in programs for business attraction, retention and expansion, promotion of export business, incubators, and entrepreneurial development programs, and collaboration with others.

The Pioneer Ports take a unique role in land and infrastructure development (water, wastewater, electrical, gas and fiber optic cable), in transportation (water, railroad, airports, highways and telecommunications), land inventory consisting of 12 commercial, recreational, industrial and technology parks.

In the Quad County Region, approximately 51% of the manufacturing jobs are located on Pioneer Ports owned or developed properties.

Quad County manufacturing growth results by the activities of firms associated with the Pioneer Ports impact the region with:

- \$1.1 billion in direct regional spending/\$1.52 billion in total spending (i.e. sales transactions including the multiplier effects).
- 4,773 direct jobs/7,767 total jobs (including the multiplier effects).
- 12-15% of the regional economy (including the multiplier effects).
- For every \$1 of taxpayer investment, there is a \$5.70 in return on investment in generated property and local taxes from \$10.6 million in local tax revenues, including the multiplier effects.

Complacency could be an issue in the Quad County Region....The region's stability, growing manufacturing base, and relatively high paying jobs are sometimes taken for granted. The economy would likely be smaller and the manufacturing base would be shrinking without the Pioneer Ports.

¹ The results and findings of this study are those of the author Steven Peterson and do not necessarily represent the University of Idaho or any other organization or individuals.

Introduction

In 1997, the Ports of Lewiston, Clarkston and Whitman County collectively sponsored Steven Peterson,² a research economist and Clinical Assistant Professor of Economics at the University of Idaho, to conduct a Tri-Port Economic Impact Study on the *Quad County Regional Economy* (which includes the counties of Asotin County and Whitman County in Washington, and Latah County and Nez Perce County in Idaho). In the Fall of 2013, these entities re-sponsored Steven Peterson, principal investigator, to conduct a partial update to the previous study. Specifically, it focuses on the following objectives when discussing the Pioneer Ports:

- Exploring the Pioneer Ports as the region’s most important economic development agencies
- Analyzing the economic impacts created by the firms associated with the Ports
- Analyzing the role of the Ports in developing local entrepreneurs, building industrial/business/technology parks, and attracting new businesses to the regional economy
- Analyzing the role of the Ports in supporting local tourism and regional exports

Although water transportation is the primary role that is usually associated with Ports, this report illustrates it is only a portion of the Pioneer Port’s overall operations. The Ports are multi-dimensional, multi-modal, multi-jurisdictional, and full-scale economic development agencies.

The footprints of economic development agencies can have lasting cumulative impacts on economies, especially in the role they play in attracting and retaining businesses and industries and in the development of business clusters. This study measures that cumulative impact.

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Overview

The Entrepreneurs

Associated with the Pioneer

Ports are leading

contributors to the region’s

economic growth and

vitality; promoting economic

development,

transportation, international

trade, and job creation.

Overview of Regional Economy

The regional economy includes the counties of Latah and Nez Perce, situated in the state of Idaho, and Asotin and Whitman, situated in the state of Washington. The four counties are located in north Idaho and eastern Washington along the Idaho-Washington border. The major cities situated in each county are Pullman, Washington (Whitman County), Moscow, Idaho (Latah County), Lewiston, Idaho (Nez Perce County), and Clarkston, Washington (Asotin County). The Idaho communities of Lewiston and Moscow, and Pullman and Clarkston in Washington, are the major population centers. They are often referred to as the Quad Cities or Quad Counties.

Lewiston and Clarkston are located at the confluence of the two largest rivers in the state of Idaho —the Snake River and the Clearwater River. There are three area ports: The Port of Lewiston on the Clearwater River, the Port of Clarkston on the Snake River, and Whitman County which has three port locations—Wilma, Almota, and Central Ferry, all on the Snake River. There are two dams extending water transportation to the region served by the Pioneer Ports —Little Goose and Lower Granite. Lower Granite, built in the upper reach of the Lower Snake, was completed in 1975, bringing water transportation to the Lewiston-Clarkston valley. The Port of Lewiston has grown to be a major part of the area economy since water transportation became available in 1975.

Lewiston is the largest community in the Quad County region and the regional trade hub. Historically, the Quad County has been a slow-growing but economically stable region in contrast to their respective fast-growing states. The population of the Quad Counties grew 9.8 percent cumulatively in the period 2000-2013 from 133,636 people to 146,673 people. In contrast over the same period (2000 to 2013) Idaho grew 24.0 percent, Washington (17.9 percent), Ada County-Boise (37.5 percent), and Kootenai County-Coeur d'Alene (31.7 percent). The population of Nez Perce County increased modestly from 2010 to 2013 at 1.7 percent, Whitman County grew

Foot Print

Approximately 51% of all manufacturing jobs in the Quad County region are situated on land developed or owned by Pioneer Ports.

4.0 percent, Latah County 2.2 percent, and Asotin County 2.3 percent. Population growth in Asotin County/Nez Perce County and the Quad County area has been slow but steady over the last two decades. The 2000s has been a period of modest but not rapid growth (Source: U.S. Census).

The character of the Quad County economy is in a state of change. Historically, the economy has been based heavily on both natural resource industries (particularly wood and paper manufacturing) and state government employment, which are stable, mature and in a possible state of decline. Clearwater Paper, for example, (formally Potlatch Corporation) has seen a reduction of several hundred employees over the last decade. Recently, the region has attempted to expand and attract several high technology firms (most notably Schweitzer Engineering Laboratories), manufacturing firms, and retail trade businesses in an effort to diversify the economy. ATK (1,210 jobs), along with a cluster of ammunition and armament firms has seen a substantial increase in local employment and may currently employ over nearly 2,000 jobs.

Nez Perce County is the regional leader in manufacturing jobs, constituting 53% of the total (covered) regional Quad County manufacturing jobs and 46% of all total manufacturing jobs. An economic base assessment taken from the Timbersheds Study in 1996 is illustrative of changes in the Nez Perce County economy. The largest sector of the economy was wood products, which contributed 24.9 percent of the employment in the community and 34.7 percent of the gross regional payroll at its peak. Today, approximately 50% of this has been replaced by the ammunition, boat building, high technology manufacturing and other expanding manufacturing industries. The second largest sector was the central function (CF) of the community. This represents Lewiston's role as the trade hub and trade center of the Quad County region.

Foot Print

The Quad County region has a solid and growing manufacturing base. Manufacturing grew cumulatively 39% from 2001 to 2012 when most of the state and wider regional manufacturing economy was declining 10%-30%.

The regional economy base drivers are:

- Higher education (six colleges and universities)
- Manufacturing
 - High Tech (ex: Schweitzer Engineering)
 - Wood products (ex: Clearwater Paper)
 - Ammunition (ex: ATK)
 - Jet Boats, and others
- Agriculture
- Health care
- Trade & Tourism

Manufacturing base: The Quad County has a solid and growing manufacturing base. Manufacturing grew cumulatively 39% from 2001 to 2012 when most of the state and wider regional manufacturing economy was declining 10%-30%. From 2012 to 2013 alone, manufacturing grew 11.2% (*Source: Bureau of Economic Analysis and Bureau of Labor Statistics*).

Approximately 51% of all manufacturing jobs in the Quad County region are situated on land owned or developed by Pioneer Ports.³

³ 54% based on QCEW 2012 data and 48% based on QCEW 2013 data, averaging 51%.

Foot Print

The Pioneer Ports play such an important integrated role, the provision of industrial infrastructure suggest that a significant portion of this economic activity would have likely moved elsewhere in the absence of the Ports.

Overview of Pioneer Ports

Pioneer Ports provide transportation infrastructure: air, water, railroads, air transportation, and highways. The Ports have 5 water-borne port locations. The Ports have strongly supported rail infrastructure improvement in the Quad County region. The Pioneer Ports have taken the lead in installing dark fiber optic cables for high speed internet and communications.

Economic Development: The Pioneer Ports have twelve industrial/business/technology parks. The most recent expansion was Schweitzer Engineering Laboratories expanding into the Business and Technology Park of the Port of Lewiston. The newest industrial parks are the 45-acre Turning Pointe Park built by the Port of Clarkston in Asotin County and the 40-acre Pullman Industrial Park West.

Partnerships and Roles: Collaborations with other economic development organizations such as Valley Vision to promote economic development.

New business attraction and retention: The Pioneer Ports work to attract new businesses and retain existing firms. The Ports of Lewiston and Whitman County has especially promoted local business expansion.

Promoting export businesses: The Port of Clarkston has been involved in promoting the export markets of the jet boat manufacturing industry and the Port of Lewiston supports the export of agricultural products to over 37 countries worldwide.

Tourism and Recreation: The Ports have been involved in promoting tourism. Tour boats from the west coast dock at the Port of Clarkston, as well as jet boat tours of Hells Canyon conducted by local excursion companies. The Port of Whitman County supports Boyer Park and the Port of Clarkston has a recreational waterfront park.

Foot Print

Pioneer Ports provide transportation infrastructure: air, water, railroads, air transportation, and highways. The Ports have 5 water-borne port locations and 12 industrial parks.

ECONOMIC DEVELOPMENT ROLE

Exploring the Pioneer Ports the region's most important economic development agencies

IMPACT: For every \$1.00 dollar of taxpayer support, the firms associated with the Pioneer Ports created a total of \$5.70 of local tax revenues.

The Pioneer Ports has been intensively involved in attracting new firms and entrepreneurs to the regional economy such as promoting the export of regional products, manufacturing opportunities, promotion of tourism and local recreational opportunities.

In 2013, the direct yearly taxpayer support was approximately \$1,862,172. Total local taxes generated from all of the firms associated with the Ports, including the multiplier effects, was approximately \$10.6 million. These taxpayer dollars are used only for *investment*, not operations.

IMPACT: There were 4,773 jobs directly created by firms and businesses associated with the Pioneer Ports' property and business development. This is approximately 8.4% of Quad County's covered employment.

IMPACT: Factoring in the multiplier effects, the total jobs created by firms and businesses associated with the Pioneer Ports increase to 7,767. This is approximately 13.7% of Quad County's covered employment.

Key Findings

4,773 Direct Jobs

The number of jobs directly created by firms and businesses associated with the Pioneer Ports' property and business development.

7,767 Total Direct and Indirect Jobs

The total number of jobs increases to 7,767 when the multiplier effects are included.

Examples of Firms and Businesses

Associated with the Pioneer Ports

Examples of firms and businesses associated with the Pioneer Port's business development include:

- Almota Elevator
- ATK Sporting Group
- Beamers
- Bennett Mill (Port of Wilma)
- Bentz Boats
- Decagon Devices
- Digilent
- Excel Transport
- Lewis-Clark Grain Terminals
- Metrigoard
- Pacific Steel & Recycling
- Roosters Waterfront Restaurant
- Schweitzer Engineering Laboratories
- Swift Transportation
- Seekins Precision



KEY FINDINGS

Manufacturing job growth
2012-2013

- Nez Perce County –
20%
- Asotin County-
11.8%
- Whitman County -
3.9%
- Latah County –
(-5.1%)
- Quad County-
11.2%

Covered Jobs (QCEW)

ECONOMIC IMPACTS

Analyzing the economic impacts by firms Associated with the Pioneer Ports

IMPACT (Including Multiplier Effects)

- \$1.52 billion in regional spending
 - \$618 million in gross regional product
 - \$383 million in total compensation
- 7,767 jobs
- \$38.4 million in total state and local taxes
 - Local taxes: \$10.6 million
 - State sales taxes: \$23.3 million
 - Other state taxes: \$4.5 million

The impacts include the multiplier impacts from backward linkages to the local economy and from the impact of resulting employee and consumer spending

- Regionally, the Pioneer Ports' entrepreneurs and operations contribute about 12-15% of the Quad County economy.
- The Pioneer Ports' operations are fully supported by lease payments and rental income; *not taxpayer dollars*.
- The Ports support 7,767 jobs, including multiplier effects, which represent 13.7% of Quad County's covered employment.
- The Quad County economy historically has had a mature, natural resource based economy that has experienced below-average employment and population growth. The Pioneer Ports have been an essential player in providing infrastructure for attracting new businesses and expanding existing businesses.

KEY FINDINGS

The Ports support 7,767 jobs, including multiplier effects, which represent 13.7% of Quad County's covered employment.

Methodology

Primary data was supplied from the Pioneer Ports including budgets, information on tenants, and other pertinent information. Secondary information was obtained from the IMPLAN software and data package, the U.S. Bureau of Economic Analysis, Department of Commerce; U.S. Bureau of Labor Statistics, Department of Labor, and the U.S. Census Bureau, Department of Commerce.

The analysis was conducted with a custom built 2011 IMPLAN input-output four-county economic model (i.e. the Quad-County region) for Whitman County, Asotin County, Latah County, and Nez Perce County (adjusted for 2012/2013 prices). Washington State and Idaho State 2011 IMPLAN models were also built and employed for estimating some analyses (where appropriate).

An economic impact assessment is founded on an economic base theory. A base activity is one that brings new monies into a regional economy. Most of the economic activity associated with the Pioneer Ports was considered basic. Trucking was considered basic for two reasons. First, a sizable portion of the trucking revenues occurs outside the regional economy. Second, the trucking firms are potentially mobile, and can locate in virtually any region or economy. Thus, if they could not find suitable facilities, they could easily relocate elsewhere, taking their revenues with them. Finally, most of the other firms' operations in the study were considered basic, either because the majority of the revenues were primarily from outside the region, or the firms could have easily located outside the regional economy in the absence of adequate facilities.

Economic impacts include the direct impacts of Port-related expenditures and the backward linkages of that spending as it circulates throughout the economy, i.e. the multiplier effects. It also includes the impacts of consumer spending relating to this economic activity. The following economic model outputs are

KEY FINDINGS

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reported:

- 1) Sales: Reflects the total transactions from all sources in dollars by direct, indirect, and induced economic activity (i.e. including the multiplier effects).
- 2) Gross regional product (or value added): A subset of sales. It is a measure of the net increase in the economy resulting from an increase in local base expenditures. It includes, wage and salary earnings (payroll), proprietors' income, other property income, and indirect business taxes.
- 3) Earnings (payroll): A subset of gross regional product and includes wage, salary, and other income payments including fringe benefits to workers (including the multiplier effects).
- 4) Employment: Represents the total employment resulting from economic activity (including the multiplier effects).
- 5) Taxes: This analysis includes all taxes, personal income taxes and corporate income taxes. At the local level, they primarily include property and sales taxes (including the multiplier effects).

The primary indicators of economic activity most relevant are gross regional product, earnings (payroll), jobs, and indirect business taxes.

With/Without, Caveats, Limitations

This analysis provides both descriptive analysis (i.e. actual employment numbers) and the outputs of the IMPLAN input/output models. The descriptive data alone provides a powerful analysis in its own right of the role of the Pioneer Ports role in the regional economy. The direct employment data was collected by phone survey by the respective ports and this analysis is subject to the accuracy of those surveys.

The outputs of the IMPLAN model are based on the assumption that

KEY FINDINGS

For every \$1.00 dollar of taxpayer support, the firms associated with the Pioneer Ports created a total of \$5.70 of local tax revenues.

most of the expenditures of the port activities are basic (i.e. new monies to the communities). To the extent that if some of these activities were non-basic, it would proportionally reduce the magnitude of the impacts.

There is also the “with or without” issue and the question it poses: If the Pioneer Ports did not exist, would the port-related firms and their respective economic activities still be situated in the region? Would they never have existed at all or would they have left and moved to other communities? To some extent this question is “not knowable.” However, the fact that Ports play such an important integrated role, the provision of industrial infrastructure suggests that a significant portion of this economic activity would have likely moved elsewhere in the absence of the Ports.

KEY FINDINGS

Taxes Generated (including the multiplier effects)

\$38.4 million in total state and local taxes

Local taxes: \$10.6 million

State sales taxes: \$23.3 million

Other state taxes: \$4.5 million

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