

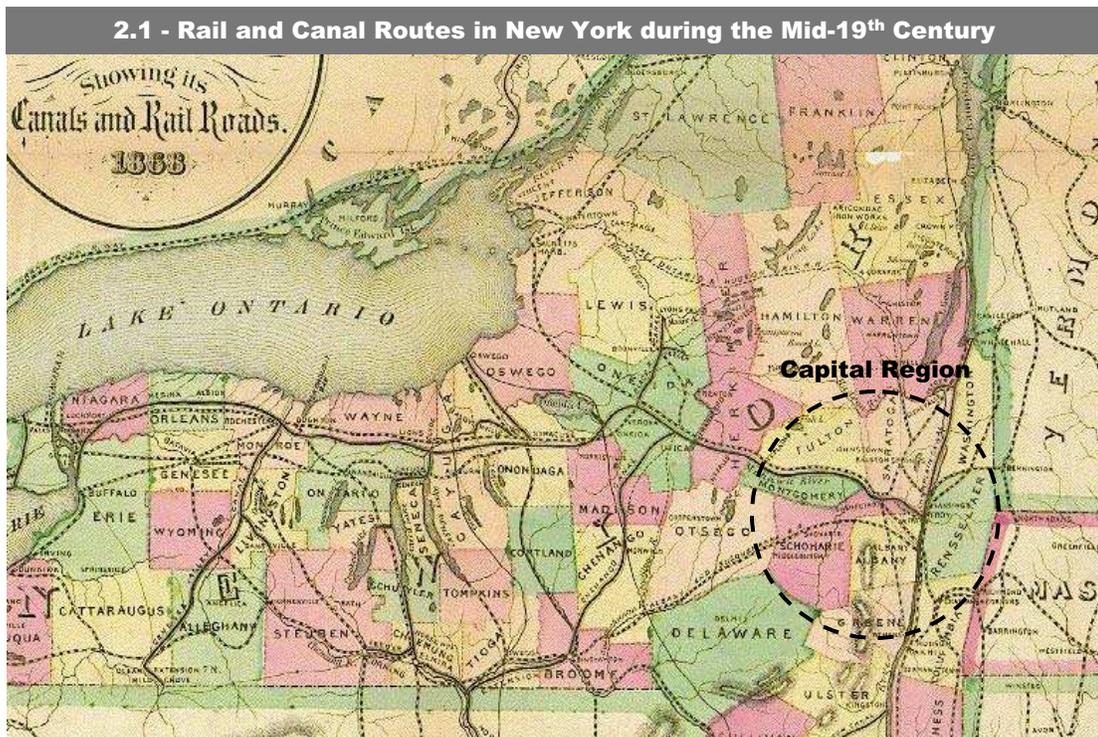
2 **Overview on Economic
Activity in the Capital
Region**

2. Overview on Economy Activity in the Capital Region

2.1 Historical Perspective on Region Economy

The underpinning of the Capital Region's economy has evolved over time and transitioned through several eras. During Colonial times, the Hudson, Mohawk and Schoharie Valleys served as agricultural centers for an expanding Northeast population. The region still has a significant number of farms that produce milk and milk products, vegetable and grain crops, fruits, and other products. The area is also host to the State Capital and its many back offices that support state agencies and administrative functions. The federal government and its contractors also have had installations throughout the region, including: Scotia Naval Depot, Knolls Atomic Power Laboratory, West Milton naval training center, Malta Test Site, Watervliet Arsenal and others.

Commerce has long been an important economic segment for the region due to traffic on the Hudson River as well as the coming of the Erie Canal in the 1820's and later the Erie Barge Canal to move commodities to the west. The railroads came to the area in the 1830's and the region became a hub for north/south and east/west transport of goods. The large switching yard in Selkirk served regional rail activity. Currently, the region is increasing its role as a regional distribution center for eastern New York and New England due to the availability of land, access to interstates and moderate operating costs.



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2.1 Historical Perspective on Region Economy (cont'd)

Manufacturing has been a major economic driver in the region since the early 1800's. Troy was a center for iron and steel due to its proximity to ore deposits in the Adirondacks and along Lake Champlain at Port Henry. It was also known for its apparel and was named the "collar city" for its manufacturing of detachable collars during the late 1800's. Major manufacturing companies have built plants in the region over the years, including, General Electric (GE) in Schenectady, Saratoga and Albany Counties; The American Locomotive Company (ALCO) in Schenectady County; Ford Motor Company in Albany County; several paper mills in Saratoga and Albany Counties, textiles in Albany County as well as the carpet and rug industry in Montgomery County.

2.2 - Overview on the Region's Economic Heritage



The American Locomotive Company built steam and then diesel-electric locomotives in Schenectady until the plant closed in the late 1960's.



The GE plant in Schenectady developed many of the company's early electrical products and became most know as the home of GE Power Generation manufacturing gas and steam turbines and generators. Over the years, employment at the plant reached a high point during WWII of over 40,000 but today employment is less than 3,000. GE also has a large corporate R&D center near Schenectady as well as a silicone rubber plant in Saratoga County and a plastics plant in Albany County.



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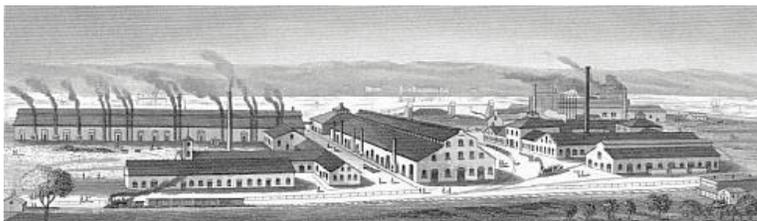
2.1 Historical Perspective on Region Economy (cont'd)



Former rug and carpet mill complex in Amsterdam (Montgomery County) that relocated to Georgia in the 1960's.



Watervliet Arsenal was established in 1813 to produce large bore cannon. The facility is still manufacturing large cannon along with machining large marine components for the military.



The H. Burden & Sons iron and nail factory in Troy had the most powerful under shot water wheel in the world. The company applied many innovations to the mass production of nail, rail spike and horse shoes.



This Schoharie County farm represents a tradition of agriculture in the rural portions of the Capital Region that produce dairy products, vegetable and grain crops, fruits and other products.



The paper industry has provided significant employment within the Capital Region over the years, including the existing Mohawk Paper Mills in Cohoes as well as the former International Paper mill in Corinth and the West Virginia Pulp & Paper mill in Mechanicville

2. Overview on Economic Activity in the Capital Region

2.1 Historical Perspective on region Economy (cont'd)

Within Schoharie County, there have been many different industries since the mid-1700's when the first flour and lumber mills were established. Examples of local industry include:

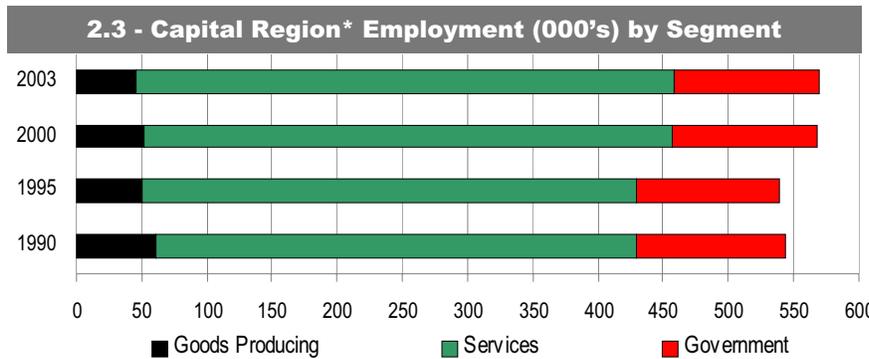
- Agricultural equipment
 - Fearless threshers
 - Fearless manure spreaders
 - Straw cutters
 - Barn silos
- Carriages
- Household furniture
- Boots and shoes
- Sash and blinds
- Silk undergarments
- Wool felt hats
- Lace
- Shirtwaists
- Paper
- Ice refrigerators
- Wooden extension ladders
- Cigars
- Limestone block, cement and stone
- Harps
- Vinegar cider
- Milk processing/bottling
- Molded plastic parts



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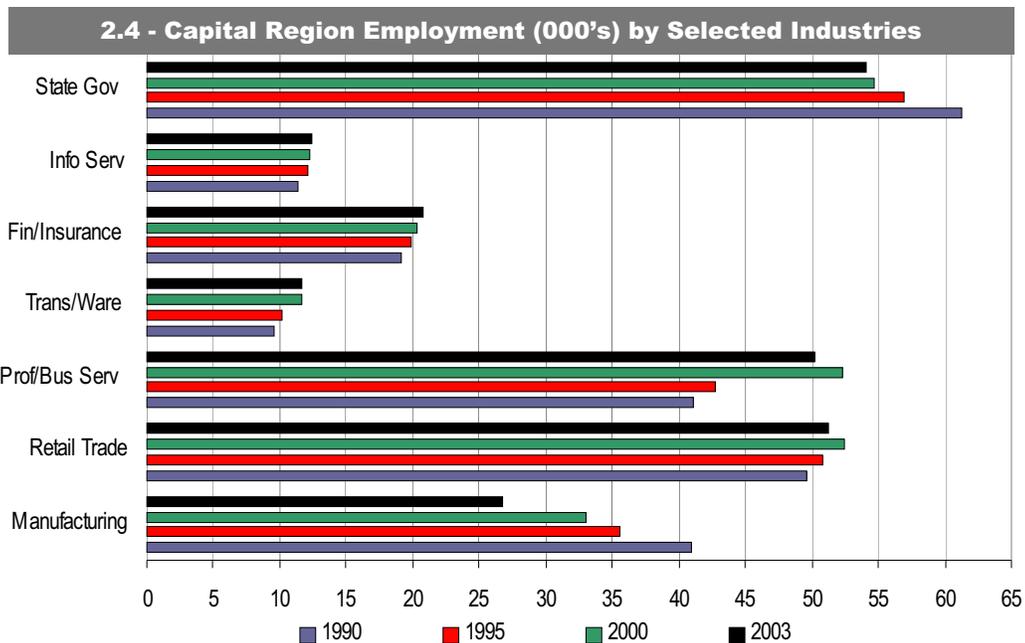
2.2 Current Economic Profile of the Capital Region

As noted below, the employment level of goods producing companies continues to decline (as it is nationally due to foreign competition) while the government segment has reduced moderately and the services sector continues to expand.



*Capital Region includes: Albany, Montgomery, Rensselaer, Saratoga, Schenectady and Schoharie Counties

Since 1990, state government employment has been reduced by 11% while manufacturing has dropped by 35%. Professional/business services has grown by 9% and there has been modest growth in finance/insurance, transportation/warehousing and retail trade. There is an emerging segment of small technology-related companies with 50 or less employees that are derived from RPI or other university research activity or spin-offs from local companies.



2. Overview on Economic Activity in the Capital Region

2.2 Current Economic Profile of the Capital Region (cont'd)

Presented below are the employment levels for current manufacturing operations within the Capital Region and for individual counties within and adjacent to the Capital Region.

2.5 - Capital Region Employment* for Selected Mfg. Industries

Industry	Employment	Total Companies	No. of Companies in Employment Range			
			<50	50-250	250-1,000	>1,000
Food	75	75	63	9	3	0
Textiles	18	18	9	8	1	0
Paper	21	21	12	7	2	0
Printing	88	88	79	7	1	1
Chemicals/Resins	29	29	24	2	2	1
Plastic/Rubber Products	39	39	23	15	1	0
Fabricated Metal Prod.	98	98	78	19	1	0
Machinery	43	43	33	8	1	1
Computer/Electronics	3	3	2	1	0	0
Electrical Equip.	8	8	6	1	1	0
Transportation Equip.	14	14	10	4	0	0

500-999 1,000-2,499 2,500-5,000

*Capital Region includes: Albany, Montgomery, Rensselaer, Saratoga, Schenectady and Schoharie Counties

2.6 - County Employment Within Selected Manufacturing Industries

	Plastics	Fab. Metal	Electronics	Trans. Eq.	Medical Eq.	Food Mfg.	Machinery	Pharma/Med.
Albany	500-1,000	>1,000	100-249	250-499	500-1,000	250-499	500-1,000	
Columbia	250-499	50-99	50-99				500-1,000	
Delaware		50-99	50-99		50-99	250-499	50-99	250-499
Fulton		50-99	50-99			50-99	50-99	
Greene				50-99			50-99	50-99
Montgomery	500-1,000	250-499	250-499			500-1,000	50-99	
Otsego	250-499		50-99	50-99		50-99	50-99	50-99
Rensselaer	250-499	500-1,000	50-99			500-1,000	500-1,000	50-99
Saratoga	50-99	500-1,000	50-99			50-99	50-99	
Schenectady	50-99		50-99	250-499		50-99	>1,000	
Schoharie	50-99	50-99						
Warren		50-99	50-99	50-99	>1,000		50-99	
Washington		250-499			500-1,000	50-99	50-99	

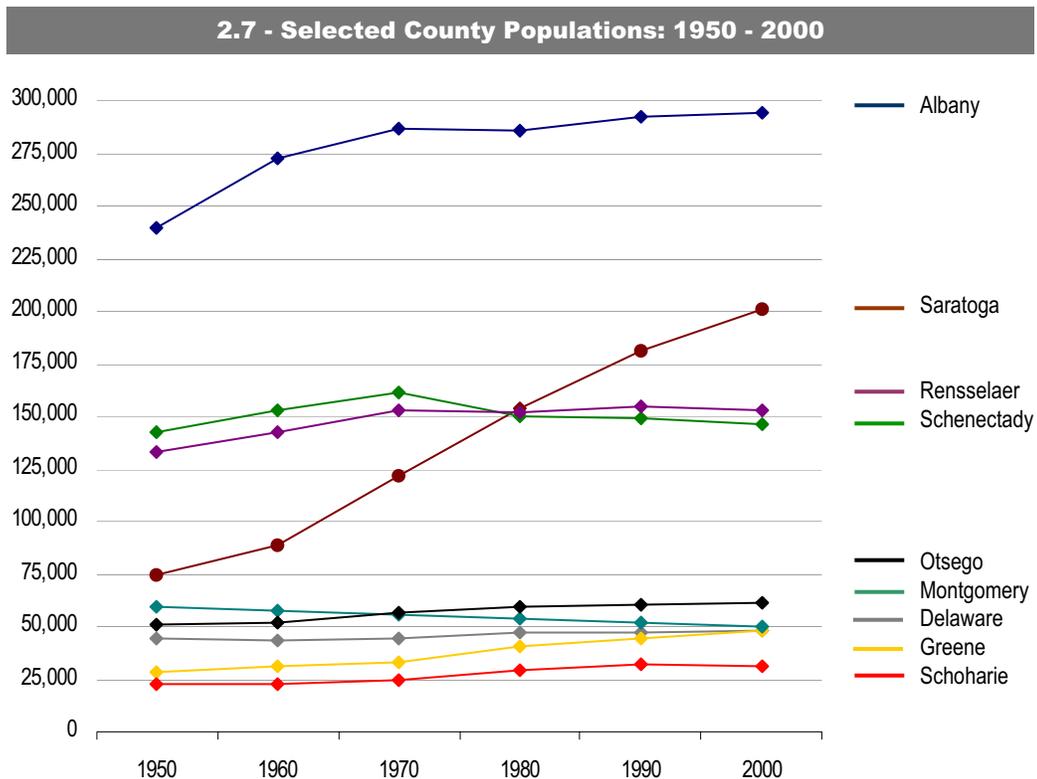
<50 50-99 100-249 250-499 500-1,000 >1,000

2. Overview on Economic Activity in the Capital Region

2.3 Indicators of Economic Growth and Viability

Population growth is a significant indicator of long-term economic viability. Since 1950, there has been an overall moderate growth of population within the Capital Region. As the national economy ramped up after World War II and the Baby Boomer phenomenon began, there was a reflection of this in portions of the Capital Region, in particular, Albany, Schenectady and Rensselaer Counties. By the 1970's, growth had reached a saturation point and has flattened out over the past 30 years.

In the rural outlying communities, growth has been significantly less but steady since 1950. Montgomery County continues to drop in population due to the loss of their primary employer in the 1960's – the rug and carpet industry – and has not been able to easily replace the former jobs. In contrast, Saratoga County continues to be one of the fastest growing counties in the state since the 1960's when the Northway (I-87) connected the county to jobs in Albany County and provided direct access to an interstate.



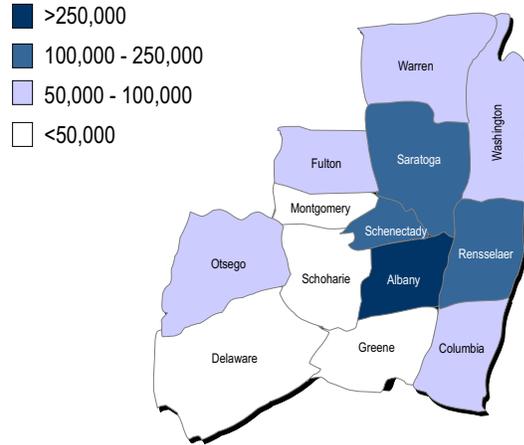
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2.3 Indicators of Economic Growth and Viability (cont'd)

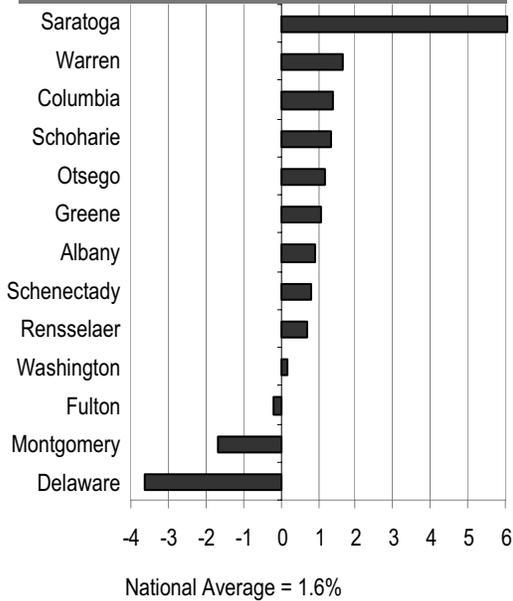
The current population of the region centers around the cities of Albany, Schenectady and Troy along with the adjacent suburbs in Albany, Schenectady, Rensselaer and Saratoga Counties. There is also growth in and near the City of Saratoga Springs.

Projected population growth is strongest in the I-87 corridor, particularly in Saratoga County. A number of counties, including Schoharie, will see modest growth over the next five years as urban sprawl begins to impact more rural areas that have lower cost land and access to an interstate for commuting purposes.

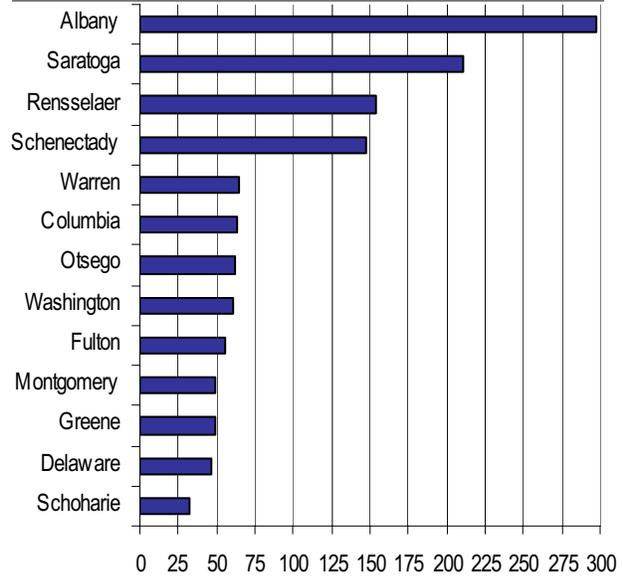
2.8 - Current Population



2.9 - Five-Year Growth Projection



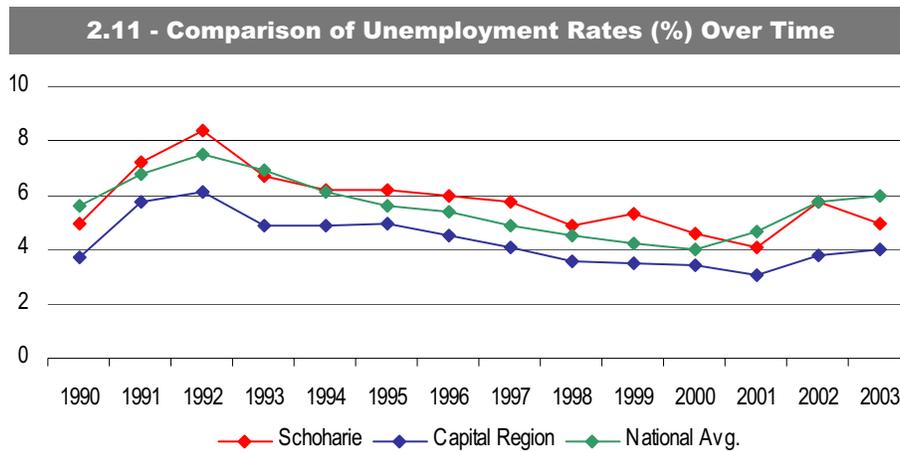
2.10 - Current Population (000's)



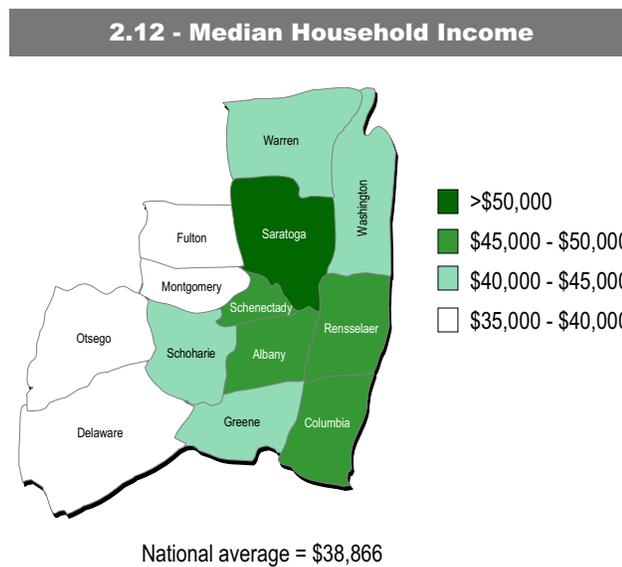
2. Overview on Economic Activity in the Capital Region

2.3 Indicators of Economic Growth and Viability (cont'd)

Another key indicator of economic growth and viability is unemployment rate over time. The Capital Region’s unemployment rate has stayed consistently below the national average due to the employment composition of the local economy. Segments such as state and federal government, colleges and universities, and certain financial services are less susceptible to recessionary swings. Schoharie County’s unemployment fluctuates at or near the national average. Many of the jobs held by county residents are in manufacturing, retail and other services that are more susceptible to layoffs in a soft economy.



Median Household Income (MHI) is also a key indicator of the level of economic growth. With the exception of Montgomery County, the counties within the Capital Region exceed the national average of \$38,866. Schoharie County’s MHI is \$40,786.



2. Overview on Economic Activity in the Capital Region

2.4 Long Term Outlook for the Capital Region Economy

The long-term outlook for the region is positive while the mix of economic drivers is evolving. Reviewing the current situation and economic indicators, the region would be characterized as a mature, post industrial economy with an overall flat growth rate (except for Saratoga County) and a strong dependence on state government employment and a few large employers. GE is the largest private employer in the region with about 5,000 total employees distributed amongst its R&D operations in Schenectady County and manufacturing plants in Saratoga, Schenectady and Albany Counties. Outlook for specific economic segments is provided below:

State Government – as host to the State Capital, the region will continue to have some level of employment in service to the state, however, growth in this segment will not be substantial and during periods of budget short-falls employment will be reduced. State government employment should be viewed as a low growth, low volatility portion of the region’s economic portfolio.

Traditional Manufacturing – many large traditional manufacturing operations (heavy equipment and machinery, textiles, rugs and carpets, apparel, paper, steel, etc.) have been shut down or substantially down-sized over the past 40 years. The potential for new operations of this type returning to the region is unlikely due to the labor, energy and facility costs as well as the reputation of being a heavily unionized area. Large capital-intensive operations such as GE Plastics and Silicones as well as Mohawk Paper will remain in the area as long as a reasonable level of profitability can be sustained.

Specialty Manufacturing – another group of regional manufacturers include medical instruments (primarily in Warren and Washington County), plastics molding, electronics, pharmaceuticals and chemicals comprise small and mid-size companies with higher value products that can be profitable in a moderate cost environment.

Emerging Technology-Related Industries – driven primarily by R&D at RPI, SUNY University at Albany and private R&D operations, the region has a significant growth in technology-related service and manufacturing companies that should continue to expand. Support from the state and federal governments is helping to stimulate this activity.

Financial Services – there is a significant financial services industry (banking, insurance, securities) in the region that continues to expand due to the moderate cost of labor and proximity to New York City and Boston.

2. Overview on Economic Activity in the Capital Region

2.4 Long Term Outlook for the Capital Region Economy (cont'd)

Distribution Operations – the region should continue expanding as a distribution center to serve not only local needs but also portions of New England and the Hudson Valley. A key resource for supporting growth is flat land within a reasonable access of an interstate exit. Land along the I-87 corridor and along the Thruway close in to Albany is becoming saturated with development. Potential sites could be made available along I-90 in southern Rensselaer County, western Schenectady County, in Montgomery and Fulton Counties and at the northern end of I-88 in Schoharie and Schenectady Counties.