

A Tale of Three Bases

Decisions by the federal Base Realignment and Closure Commission are reverberating throughout New England. Here, we profile three major bases that had been targeted for closure.

By Noreen S. Kirk

New England held its collective breath late this summer as the federal Base Realignment and Closure Commission (BRAC) prepared to decide which military installations would remain on the Pentagon's closure list, and which would survive.

Fortunately for New England, two major naval facilities the U.S. Department of Defense had slated for closure – the New London Submarine Base in Groton, Conn., and Portsmouth Naval Shipyard in Kittery, Maine – were ultimately spared by the commission, saving the region 13,000 direct jobs.

Not so lucky was Brunswick Naval Air Station, the second-largest employer in Maine. At least in the near term, the closure of Brunswick will clearly damage the Maine economy. While several other New England facilities will gain some military jobs, the overall impact on New England of the proposed closures and realignments will be a net loss of roughly 3,000 direct jobs, or roughly 6,000 jobs when economic multiplier losses are included. Still, compared to what could have been an impact four times that great, the region can breathe a sigh of relief.

Here's a closer look at what transpired relative to three major bases and what the future holds.

Total Direct Job Changes from BRAC (Both Military and Civilian)		
State	Base & Community	Jobs
Connecticut	Turner US Army Reserve Center, Fairfield	-17
	Bradley International Airport Air National Guard Station	-151
	US Army Reserve Center Area Maintenance Support Facility, Middletown	-18
	SGT Libby US Army Reserve Center, New Haven	-21
	Submarine Base New London	-159
	Total State Jobs	-366
	Maine	Defense Finance and Accounting Services, Limestone
Bangor International Airport Air Guard Station		194
Naval Reserve Center, Bangor		-2
Naval Air Station Brunswick		-3,275
Total State Jobs		-2,783
Massachusetts	Otis Air Guard Base	-505
	Naval Shipyard Puget Sound-Boston Detachment	-108
	Hascom Air Force Base	-305
	Malony US Army Reserve Center	-155
	Natick Soldier Systems Center	-19
	Armed Forces Reserve Center Westover (new)	83
	Barnes Municipal Airport Air Guard Station	256
	Westover US Army Reserve Center, Cicopee	-13
	Total State Jobs	-766
	New Hampshire	Doble US Army Reserve Center
Portsmouth		-44
Total State Jobs		-44
Rhode Island	Bristol US Army Reserve Center	-24
	Harwood US Army Reserve Center, Providence	-24
	Naval Station Newport	863
	Quonset State Airport Guard Station	46
	Total State Jobs	861
Vermont	Burlington International Airport Air Guard Station	52
	Total State Jobs	52
Total New England		-3,046

Source: Final BRAC Report, Appendix O

Sub Base Surfaces

Naval Submarine Base New London, in Groton and Ledyard, Conn., was once again removed from the Base Realignment and Closure list this past summer.

When the base appeared on the DoD's base-closure list in the spring, public- and private-sector leaders across Connecticut sprang into action. The Subbase Realignment Coalition, chaired by John Markowicz, executive director of the Southeastern Connecticut Enterprise Region, and the Connecticut Strike Force, headed by Gov. M. Jodi Rell, mounted the campaign to keep the base open.



A Strategic Response

"We decided early in the process to split the work into two sections," says Markowicz. "The first was to attack the four BRAC military value selection criteria. The second was to tackle four other

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considerations, including the economic impact and environmental remediation.”

Over the next few months, the coalition, the strike force, the state’s congressional delegation and other members of what became known as Team Connecticut worked almost around the clock. When four BRAC commissioners visited Groton in early June, the team organized a community meeting and presentations. When five of the commissioners met in Boston in early July, team members made a two-hour presentation and, later, submitted supplemental testimony and met individually with commissioners.

Markowicz notes: “Our basic strategy was to do three things: first, prove how the military value of the base had been grossly miscalculated; second, demonstrate with facts and figures that costs for implementing the recommendations were significantly understated; and third, demonstrate that proposed savings over 20 years was substantially overstated. Those were the key elements of our argument, and we stayed on message.”

Elements of Success

Markowicz believes that several other factors contributed significantly to the BRAC’s decision to spare the base. They include advocacy by several retired submarine admirals who echoed Team Connecticut’s arguments; comments by former President and naval officer Jimmy Carter; and the presence of a Connecticut resident, retired Air Force Gen. Lloyd “Fig” Newton, on the commission. Also, commission members were skeptical of the fundamentals in the DoD recommendations and dubious about the department’s overall plan, which would have largely demilitarized New England.

However, Markowicz points out, “The best salesperson for the base was the base.” He believes that visiting commissioners were impressed with the state-of-the-art facility.

“In the end,” he adds, “if you listened to all sides, you had to conclude it didn’t make sense to close New London.”

An Eye to the Future

Markowicz says that discussions are under way about how to keep this from happening again. Ideas for strengthening the base’s position include expanding New London from a sub base to a naval base, assessing how state policies affect military personnel and their families, and developing state policies that promote a closer relationship with the military and the state’s defense industry.

These actions and others, Markowicz says, will hopefully “preclude our having to make this long and very difficult journey again.”

Brunswick Naval Air Station: Change is in the Air

Attention businesses, site selectors and developers: 3,200 acres of prime real estate in Midcoast Maine is about to be available for redevelopment. Naval Air Station Brunswick, the last active-duty U.S. Department of Defense airfield in the Northeast, is scheduled for closure.

Located in Brunswick and Topsham, Maine, the air station was originally recommended for “realignment” or downsizing by the DoD. But, in a surprise move, the federal Base Realignment and Closure Commission decided instead to close the facility entirely.

“It was a surprise to all of us when the base was recommended for closure,” says Jeffrey Sneddon, executive director of the MidCoast Council for Business Development and Planning. “We felt, in talking with the commissioners when they visited, that they saw it as having strong strategic location and significant potential for Joint Forces capability.”

Still, closure wasn’t the worst news the area could have received.

“We saw realignment as the worst-case scenario,” Sneddon says. “That would mean they’d remove all the squadrons, scale back everything and maintain just a skeleton crew. The base open would be fine. The base closed would give us an opportunity to redevelop the property. But realignment would have removed the economic impact of the base and

not let us touch the property.”

With thousands of active military personnel and civilian employees, the base is not only a major economic force in the area, but “part of the fabric of the community,” Sneddon says. Furthermore, spouses of active duty military personnel are the community’s teachers, retail clerks, waiters, dental technicians and more, and their talents will be lost to the region.

Questions Remain

After the initial shock of the BRAC decision wore off, local leaders began contemplating the time frame of the base closure. Right now, decommissioning isn’t even scheduled to begin until 2009, and would take three years. But discussions under way in Washington could accelerate the process, leading to uncertainty about what the time frame will actually be.

“A longer time frame could be both good and bad,” says Sneddon. “Good, because it gives us time to plan, but bad because the long process would drain time and energy from the community for so many years.”

Also of concern is that when the Navy closes a base, the property is typically made available first to other federal

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agencies. Any agency interested in taking over the property, however, must present a plan, demonstrate that it has the resources to redevelop the property, and show that the redevelopment would be consistent with community needs.

Taking Action

Leaders are already taking steps to redevelop the base. They are forming a local redevelopment authority (LRA), which will have representatives from all economic sectors and serve as a single point of contact for negotiating with the government and creating the redevelopment plan.

Sneddon says the planning phase will involve open, extensive community discussions. "You've got to have community input, community buy-in and community support to be successful," he says.

He speculates that the 3,200-acre property could lend itself to multiple uses. Possibilities could include an airport, a research park, commercial/industrial park, university satellite facilities, work force housing and green spaces.

The property's strategic location is a major advantage. Brunswick, Sneddon notes, forms a "hub," with "spokes" extending south to Portland, northwest to the Lewiston/Auburn area, north to Augusta and Waterville, and northeast to Bangor. This gives the area a natural connection to vendors, transportation, universities and more.

"The point is that these 3,200 acres are surrounded by larger service centers," Sneddon says. "The redevelopment will have multiregional impact."

In the meantime, he says, economic development in the Brunswick/Topsham area is proceeding at a lively pace. New Home Depot, Target, Lowes and Shaw's stores are open or about to be. An environmental research and permitting business and a composites manufacturing plant are expanding. A 39,000-sq.-ft. office building and a bank headquarters are under construction.

"Maine's Midcoast is definitely open for business," Sneddon says.

Portsmouth Naval Shipyard Stays Afloat

At 205 years old, the Portsmouth Naval Shipyard in Kittery, Maine, is the oldest shipyard in the nation. And it's going to live even longer, now that the Base Realignment and Closure Commission has stricken it from the base closure list.

Kittery Town Manager Jon Carter credits a "nonstop team effort" by a specially created task force with saving the base. The task force included representatives from federal, state and municipal governments, chambers of commerce, the shipyard's union, local media, community organizations and more. It was spearheaded by the Seacoast Shipyard Association (SSA), a long-standing organization that represents all the communities in the shipyard's employment region. SSA has organized the response the last three times the DoD's base-closing list has targeted Portsmouth.

The states of Maine and New Hampshire and the towns of Kittery and Portsmouth provided more than \$150,000 to support the task force, which worked closely with the two states' governors and congressional delegations.

Making an Impact

The task force was able to mobilize massive demonstrations of community support, bringing out 8,000 to 10,000 people for "Save Our Shipyard" rallies during visits by BRAC commissioners and sending more than 60 busloads of people to BRAC hearings in Boston, creating seas of bright yellow "SOS" T-shirts.

"Those things stick in the minds of commissioners," Carter says.

Presentations to the BRAC by the states' congressional delegations, governors and experts were crafted to counter weaknesses in the DoD's criteria for closing the base, address the capacity issue and spotlight Portsmouth's advantages over other bases.

"But the biggest selling point," Carter says, "was the yard itself—its

effectiveness, its work ethic and the quality of its product."

In fact, even as the shipyard was being considered for closure, it received the Navy's prestigious Meritorious Unit Commendation for exceptional efficiency and for returning subs to service ahead of schedule and under budget. Portsmouth has also been named a Star site by the U.S. Occupational Safety and Health Administration for its exceptional safety program and record.

Economic Development

The shipyard is expected to continue to play a vital role in the region's economy, but other positive things are happening, as well.

The site of the former Pease Air Force Base has become an airport and industrial park that is a powerful economic driver. Kittery has a booming retail sector that takes advantage of the town's strategic location along a heavily traveled corridor. The area continues to build on its strength as a tourist destination. A historic grand hotel in Portsmouth, Wentworth by the Sea, reopened recently after extensive restoration. In downtown Portsmouth, a convention center is under construction.

Lessons Learned

This was not the first time the Portsmouth Naval Shipyard had to fight for its life, and it may not be the last, but, says Carter, "The lesson to be learned here is to never give up the ship, but to continue to work as a team and go forward with the message that we are the best shipyard in the country and here are the points to prove it." ■

Noreen S. Kirk is a writer based in Andover, Conn.

Best Practices in Base Redevelopment

Lessons from across the country can help New England communities spring back from a base closure—now or in the next BRAC round.

By Frederick F. Wajcs and
Thomas E. Marano, CEcD

For those parts of New England most affected by the base closures that are on the horizon, and to serve as a reminder to communities across the region that host military facilities, we offer the following brief, best-practice summary and resource guide to base redevelopment.

Redevelopment of surplus military real estate due to a closure or reduction in mission is unique to each base. Done right, it can be a tremendous opportunity that leads to new and robust economic vitality. Done poorly, it can mean years of struggle and community tension. Effective strategies depend on the size and age of a given base, its branch of service, current economic conditions and the area population's needs and desires.

In general, military facility closures produce widely different impacts on regional economies. The recovery period for airfields or training facilities is typically shorter than for shipyards, for example, because shipyards have fewer civilian uses and often are encumbered with significant environmental cleanup costs.

However, the process each base must go through is the same. Ultimately, results will depend on how well the local redevelopment authority, the community and the military work together toward achieving common goals.

First, a state-authorized local redevelopment authority (LRA) must develop a land reuse plan to convert the base from military to civilian use. The plan establishes goals, identifies facilities to support the new use, and estimates the time, resources and revenues required to achieve the goals.

Redevelopment is generally a long process.

There are few ways to mitigate the immediate pain a community feels.

However, a good plan and an effective, efficient process can shorten the duration of that pain and give the community hope.

The land reuse plan drives the redevelopment process, but environmental conditions drive the reuse plan and its schedule. The plan must address financial, entitlement and timing risks a developer will face. Successful redevelopment processes are open and transparent, focus on the community's interests, establish goals, and communicate status and results frequently.

Redevelopment is generally a long process. There are few ways to mitigate the immediate pain a community feels. However, a good plan and an effective, efficient process can shorten the duration of that pain and give the community hope as it works through the thorny issues and unanticipated problems that are bound to arise.

Community Issues

Key community issues include: Who will lead? What entity will be vested with redevelopment authority? What is the vision and how will it be achieved?

Leadership is fundamental to the successful redevelopment of the base. It must come from community CEO(s), the governor, business/community leaders, state and federal elected officials and, if applicable, Native American tribes. The quality and pace of redevelopment will depend on the credibility and unanimity of the leadership team. The leadership team should seek the advice of leaders who have experienced a base closure. The National Association of Installation Developers/An Association of Defense Communities is an excellent networking forum for obtaining that advice.

The local redevelopment authority should be an entity that is close to the base and vested with the necessary resources to perform the function. It is the only entity recognized to negotiate with the military. The LRA also needs political authority to facilitate the redevelopment in a way that complements the needs of the local community and provides the flexibility to adjust to changing economic conditions.

The land reuse plan must reflect the community's vision and provide a road map for redevelopment. It should include input from a broad base of stakeholders, yet be realistic, financially viable and environmentally achievable. It must also address the needs of homeless service providers, per federal law. An ill-conceived, poorly developed plan will slow the process, create conflicts and cost money. If the process is too drawn out, the military can choose to dispose of its property through public auction, leaving the community at the mercy of the highest bidder.

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Examples of Successful Efforts

The following examples of successful redevelopment efforts – as measured by jobs replaced – are good models to emulate, though it is wise to keep in mind that each base has had its successes and failures. Indeed, each LRA has faced significant obstacles and heard from its public that it should have done things differently, better or more quickly.

Lowry Air Force Base

Located in Denver and Aurora, Colo., Lowry Air Force Base was approved for closure in 1991 and shuttered in 1994. The vision for a new community where people would “live, learn, work and play” was created through a consensus-building, 18-month planning process. The goals were to replace the 7,000 jobs lost from the closure and to build a commercial base that would pay for municipal services. A public communication effort continued throughout the redevelopment process. In a 2002 precedent-setting agreement, the U.S. Air Force contracted with the LRA to manage the remaining cleanup at the base. This agreement allowed the LRA to exercise more control, introduce innovations and streamline processes, thereby accelerating the property transfer and thus the redevelopment. In 10 years, public and private investments have resulted in 3,000 homes, 6,500 residents, nearly 100 employers, 6,000 employees, 10 schools, and amenities such as an ice rink, air museum and town retail center. Redevelopment is expected to be complete in 2008 when the LRA goes out of business and the public infrastructure will be transferred to the towns.

Pease Air Force Base

Pease, located in Newington and Portsmouth, N.H., was closed in 1991, three years after being listed by the U.S. DoD. The goal was to replace the 4,800 jobs lost in an environmentally friendly and fiscally responsible manner. The land reuse plan was created in two phases through an open public process over 18 months. The plan focused on airport

operations as the driver, but the industrial park turned out to be the real economic engine. Residential and retail uses were restricted. New Hampshire’s Department of Environmental Services was a strong ally because of the opportunity to remediate environmental conditions. Land and existing buildings are leased to developers, with the revenue stream used to improve and maintain the park and operate the airport. About 180 acres are available for development. Today, approximately 200 businesses occupy the park and employ more than 5,100 people.

Fort Devens

Fort Devens, in Ayer, Harvard and Shirley, Mass., was closed in 1996, five years after it made the BRAC list. The goal is to replace 7,000 jobs in a sustainable manner from a diverse set of industries. Preparation of the reuse plan was a three-year process that involved hundreds of public meetings. The plan focused on commercial, industrial and recreational uses with open space. Residential was restricted to 280 homes. Currently, 75 businesses occupy 4.5 million square feet and provide 3,100 jobs. The LRA functions as an independent community to be competitive in attracting commercial and industrial development. It works to keep costs low and expedite development approvals; it can review plans and deliver approvals within 75 days. The LRA is investigating either turning over the base to the towns or incorporating itself as a new municipality.

Pitfalls to Avoid

Just as there are good methods to emulate, there are approaches to avoid so that chances of failure are minimized. These include:

- operating without full-time leadership;
- not communicating effectively and regularly with the military, environmental agencies, and the community;
- planning a reuse that is not supported by the community or by

economic and/or environmental conditions; and

- not building or maintaining consensus in the community.

Conclusions and Recommendations

A base closing or realignment is a traumatic event, but it does not have to become a calamity. It is an opportunity for a community to create a new reality for itself. Once a base’s fate is official, the community needs to plan and build consensus. A local redevelopment authority needs to provide stability and focus, shield the process from sometimes fickle public opinion and deliver on consensus goals. Ideas should be consistent with the views of the community, and not simply be put out to bid from developers.

A redevelopment process is like running a marathon with many hills and valleys. It needs to start quickly, then effectively manage processes and expectations so that it reaches the finish line with respectable results. It needs to continually communicate its tactics and successes, overcome adversity, and remind the community regularly about its vision and purpose. Perhaps most important, the redevelopment process needs to convey hope, confidence and a positive vision for the future to first earn and then maintain community support. ■

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Power POINTS

New England Ranks Third in Venture Capital

Only Silicon Valley and the New York metropolitan region attracted more venture capital than New England during the second quarter of 2005, according to the most recent MoneyTree™ Survey. The region received \$622 million in venture capital, compared to New York metro's \$759 million. However, both were overshadowed by Silicon Valley's \$1,881 million. New England's share represents 10.8 percent of total venture capital invested, while New York metro and Silicon Valley captured 13.1 percent and 32.6 percent, respectively. Slightly more than 29 percent of venture capital flowing into New England went into software. Biotechnology placed second, with more than 23 percent, and telecommunications followed, with nearly 11 percent. The MoneyTree™ Survey is conducted by PricewaterhouseCoopers, Thomsen Venture Economics and the National Venture Capital Association.

Clean Cities: How New England Metros Fare

An analysis of the environmental health of the nation's 50 largest metropolitan areas ranks Hartford 11th and Providence 34th for cleanliness. The study, conducted by *Reader's Digest*, examined data on air quality, water quality, industrial pollution (toxics), Superfund sites and sanitation. Portland (Ore.), San Jose and Buffalo were the three cleanest cities. Pittsburgh, New York and Chicago came in last.

Business Costs Are High in New England (Surprise!)

All six New England states are in the top 20 of a state-by-state analysis of the cost of doing business. The analysis, by the Milken Institute, ranks the 50 states based on the business costs associated

with wages, tax burden, electricity, and industrial and office rental rates. The New England states ranked this way: Massachusetts, 3rd; Connecticut, 5th; Vermont, 11th; Rhode Island, 15th; New Hampshire, 16th; and Maine, 19th. Hawaii (1st) and New York (2nd) came in as the most expensive states, while North Dakota (49th) and South Dakota (50th) were the least expensive.

Only Silicon Valley and the New York metropolitan region attracted more venture capital than New England during the second quarter of 2005.

Workforce Housing Needed

Many companies in New England are finding that high housing costs are making it difficult for them to recruit workers, even to high-paying jobs. And it's no wonder. In a survey of Connecticut residents conducted by The Connecticut Light and Power Co., only 11 percent of respondents agreed that housing is affordable in Connecticut; six times as many (67 percent) disagreed. Fifty-three percent said having two incomes made their housing affordable. One in five respondents said they commute further to work because of housing costs. Nearly half the respondents said younger family members had left the state because of high housing costs. Based on economic analyses and projected employment growth, making affordable housing available for workers would generate 17,500 additional jobs in the Connecticut. The lack of it means that by 2014 Connecticut will be losing roughly \$1.4 billion in annual wage income or 0.5 percent of personal income. These estimates demonstrate the potential impact of a lack of affordable housing on economic

growth, according to Bruce Blakey, an economist with Northeast Utilities.

Wages' Effect on Insurance Jobs

The state long known as the "insurance capital of the world" lost a larger percentage of insurance jobs than any other state between 1990 and 2004, according to the Bureau of Labor Statistics.

Connecticut saw a 21 percent decline in insurance employment during the period, compared to a nationwide increase of 12 percent. Massachusetts, the other New England state to experience a decline, lost 2 percent. Maine, New Hampshire and Rhode Island saw increases of 19 percent, 13 percent and 17 percent, respectively. Losses in employment seem to be linked to high wages. Connecticut, with an average annual wage of \$46,852, and Massachusetts, with an annual wage of \$44,954, are both well above the national average of \$36,764. By contrast, Utah, the state with the largest (53 percent) increase has an average annual wage of \$30,585.

Petunia Power

Does the name Petunia #1 ring a bell? The cute name belongs to an oil well that stands right on the grounds of the Oklahoma state capitol. It got its name because drilling began in the middle of a flower bed. By contrast, New England is at the end of the energy pipeline. With minimal hydroelectric power, virtually no oil or natural gas, and limited potential for solar and wind energy (based on current technologies), the region must import energy. Transportation costs associated with importing energy put energy-intensive industries at a cost disadvantage. High energy costs make energy conservation economical if not essential, and energy-intensive industries often migrate to energy-producing regions such as Oklahoma. While no one can predict the future definitively, recent increases in energy prices, aggravated by the effects of Hurricanes Katrina and Rita, are bad news for the New England economy. ■

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partially explains Connecticut's anemic employment growth. Five of the six New England states have per capita income levels well above the national average (Connecticut 1st, Massachusetts 2nd, New Hampshire 6th, Rhode Island 16th, Vermont 19th). Maine, which has the lowest per capita income of the New England states, still ranked 30th among the 50 states.

New England electric output [see Exhibit 3], a reliable barometer of economic activity, grew 1.8 percent in the 12-month period ending August 2005, though the industrial class (manufacturers) declined. Overall, electric consumption confirms the economy is expanding, but growth is lackluster. While energy price increases have dampened demand, the recent softness in electric usage is worrisome because it implies the economic recovery may have stalled or lost momentum.

The Long View

The long-run outlook for population and job growth is consistent with recent history. While the U.S. population increased by 16.5 percent from 1990 to 2003, New England's population only grew by 7.3 percent [see Exhibit 4]. Only New Hampshire, with a 15.9 percent population increase, resembled the national average. The outlook indicates U.S. population should grow by 6.2 percent from 2003 to 2010, whereas New England population will likely grow by 3.8 percent. Connecticut sees the weakest growth at 2.6 percent while New Hampshire population grows by 7.5

percent. Exhibit 5 shows that employment growth parallels population growth. Northern New England has the strongest employment growth; southern New England employment growth is sluggish at best.

Exhibits 6 and 7 show historic and forecasted real gross product and personal income, respectively. Northern New England outperforms southern New England, but when measured in dollars, New England does as well as the nation. This dichotomy occurs because New England jobs pay well and regional businesses produce high value-added services and equipment. This raises a fundamental question about measuring economic growth: What is more important, job or income growth? While high incomes are certainly desirable, high costs and a cumbersome regional regulatory environment dampen growth of both kinds.

This forecast is essentially an extrapolation of the past. While reasonable, one could argue that the region is nearing a "tipping point" where cost pressures and an aging population make the outlooks optimistic. A recent residential customer survey by Northeast Utilities in Connecticut and Western Massachusetts found that

roughly half the respondents said they plan to retire outside the region due to high housing costs. Similarly, half of the respondents indicated they have young family members who could leave the area because housing is unaffordable. When a significant portion of workers both entering and leaving the labor force suggest they can't afford to live locally, there is clearly a problem. ■

Bruce G. Blakey is corporate economist and manager of market research for Northeast Utilities.

Exhibit #3

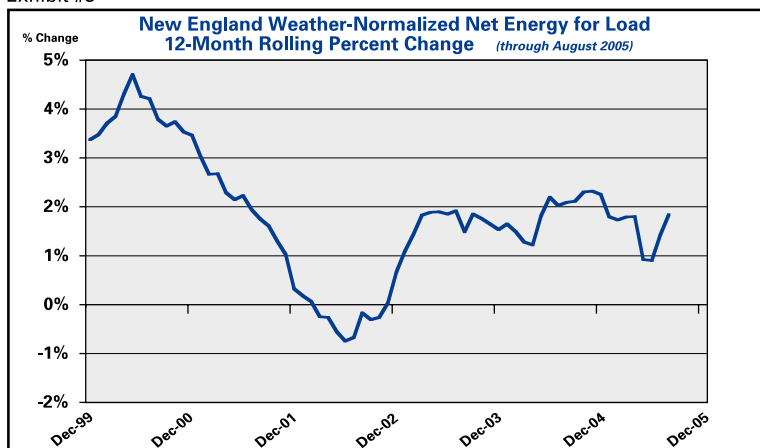


Exhibit #4

	Population		
	2000 Census (Millions)	Growth	
		1990-2003	2003-2010
U.S. Total	281.422	16.5%	6.2%
New England	13.923	7.3%	3.8%
Connecticut	3.406	5.9%	2.6%
Maine	1.275	6.3%	3.7%
Massachusetts	6.349	6.6%	3.6%
New Hampshire	1.236	15.9%	7.5%
Rhode Island	1.048	7.0%	3.8%
Vermont	0.609	9.7%	5.4%

Exhibit #5

	Total Nonfarm Employment (Thousands)		
	2005	Growth	
		1990-2003	2003-2010
U.S. Total	133,108	18.7%	9.0%
New England	6,941	7.5%	4.9%
Connecticut	1,669	1.3%	4.4%
Maine	620	13.4%	5.3%
Massachusetts	3,213	6.7%	1.2%
New Hampshire	636	21.6%	7.1%
Rhode Island	495	7.3%	5.8%
Vermont	307	16.1%	6.6%

Exhibit #6

	Real Gross Product (\$ Billions)		
	2005	Growth	
		1990-2003	2003-2010
U.S. Total	11,177	47%	26.0%
New England	632	42%	24.5%
Connecticut	174	31%	23.1%
Maine	41	25%	20.9%
Massachusetts	305	47%	25.2%
New Hampshire	51	68%	27.9%
Rhode Island	40	34%	25.0%
Vermont	21	44%	23.4%

Exhibit #7

	Personal Income (\$ Billions)		
	2005	Growth	
		1990-2003	2003-2010
U.S. Total	10,171	88.2%	45.8%
New England	602	79.9%	45.3%
Connecticut	167	71.7%	44.4%
Maine	43	78.4%	43.2%
Massachusetts	283	82.8%	46.5%
New Hampshire	50	98.5%	45.9%
Rhode Island	38	71.3%	42.3%
Vermont	22	89.5%	45.0%

Source:

Global Insight: Spring 2005 US Markets, An Executive Summary of Regional Economies <http://www.globalinsight.com/>

Economic OUTLOOK

By Bruce G. Blakey

Current Economic Conditions

Exhibit 1 shows job performance for the United States and New England as of August 2005. Unemployment rates are relatively low and lower in New England than the nation. New Hampshire and Vermont unemployment rates are under 4 percent. Unfortunately, these low rates are

mainly due to weak population growth. In effect, the area has low unemployment rates due in part to economic weakness, not economic strength. Many New England residents have either moved to more prosperous and affordable parts of the country, or otherwise left the labor force, therein causing the unemployment rate to drop. A downside to weak labor force growth is a looming labor shortage if the regional economy surges. We don't have the labor pool to satisfy the needs of businesses that want to grow, and the area is too expensive to attract migrants from outside the Northeast.

Job growth for August 2005 over August 2004 in New England was 1.2 percent, compared with national growth of 1.7 percent [see Exhibit 1]. Both New Hampshire and Vermont outperformed the nation. Massachusetts, which has 46 percent of New England jobs, only had 0.9 percent job growth over this period. This difference is consistent with a recurring theme in the New England economy: more rapid growth occurs in the northern states, particularly New Hampshire. This growth however, is generated by non-manufacturing fields such as finance or medical services. Manufacturing jobs continue their steady erosion.

Exhibit #1

	Job Performance August 2005		
	Unemployment Rate	Employment Growth	
		Total	Manufacturing
U.S. Total	5.4%	1.7%	-0.8%
New England	4.6%	1.2%	-0.4%
Connecticut	5.4%	1.2%	-0.3%
Maine	5.0%	1.0%	-1.9%
Massachusetts	4.2%	0.9%	-0.2%
New Hampshire	3.5%	2.3%	1.5%
Rhode Island	5.2%	1.3%	-3.7%
Vermont	3.5%	1.8%	1.8%

Exhibit #2

	Personal Income	
	Per Capita 2004	Rank in United States
	Income	States
U.S. Total	\$ 32,937	
New England	\$ 40,206	
Connecticut	\$ 45,398	1
Maine	\$ 30,566	30
Massachusetts	\$ 41,801	2
New Hampshire	\$ 37,040	6
Rhode Island	\$ 33,733	16
Vermont	\$ 32,770	19

Exhibit 2 shows a second recurring

theme in New England: income is high because New England jobs pay well. Connecticut has the highest per capita income in the nation, which is good for employees, but

continued on page 7

<http://www.bos.frb.org/economic/nee/neeidata.htm#employment>

Inside:

BRAC attack:

How three New England bases fared, and where they go from here.

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Bouncing back from a base closure:

What works, what doesn't.

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Power Points:

Venture capital, worker housing and an oil well in a flower bed.

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