

Welcome to the Chamber's 2010 Economic Forecast



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2010 Outlook For Michigan and Northwestern Michigan



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Traverse City Area Chamber of Commerce &
Northwest Michigan Council of Governments

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Overview

I. Who We Are

II. The Current Crisis

III. Five Key Topics for Northern Michigan in 2010

1. Business tax burdens

2. High-tech industry clusters

3. The quality of life found in Michigan

4. The changing economic base

5. Turning Michigan around

IV. Looking ahead

I. Who We Are

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Anderson Economic Group is an economic consulting firm, specializing in economics, financial valuation, market analysis, and public policy with offices in East Lansing, Chicago, and Los Angeles.

We advise some of the country's leading businesses, governments, and institutions.

Our work is based on our core values:

- Professionalism
- Integrity
- Expertise

I. Who We Are

Patrick L. Anderson

- Founded Anderson Economic Group in 1996.
- Helped implement Proposal A (1994); change sales tax law (1996); reform tax reversion laws (1999); enforce shareholder rights with Taubman Centers (2003); repeal the SBT (2006); and create a PPT credit (2007).
- Author of *Business Economics & Finance* (CRC Press, 2004) and Executive Editor of the annually-published *State Economic Handbook*.
- Most recent article, “The Value of Private Businesses in the United States,” was awarded the Abramson Scroll for outstanding business economics writing, by the National Association for Business Economics.

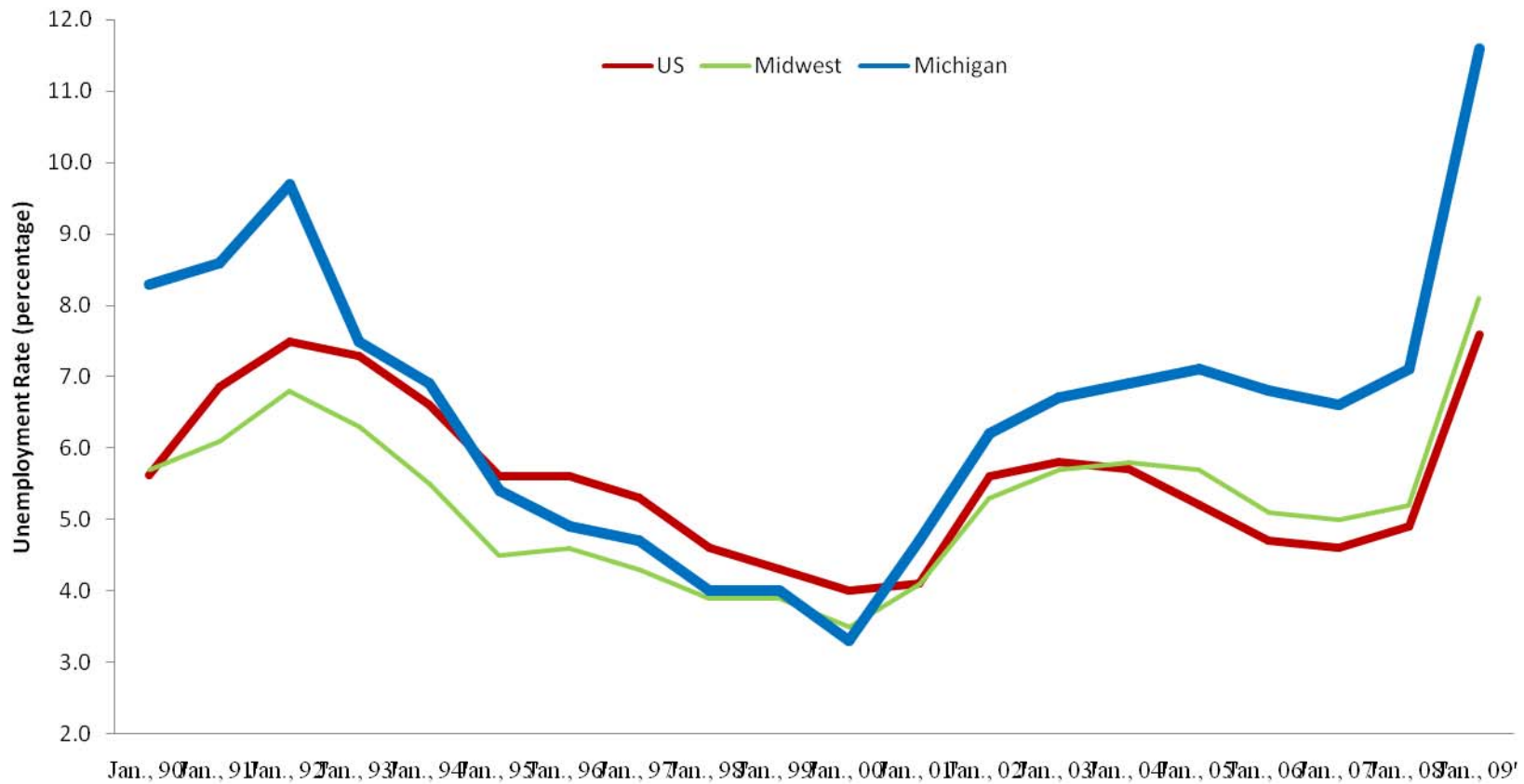
II. The Current Crisis

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1. The United States emerged from a brief recession in 2001, grew steadily until the “Great Recession” began in 2008.
2. Michigan never emerged from the 2001 recession.
 - Michigan’s unemployment was already at 7% when the Great Recession began; we are now over 15%.
 - Numerous Michigan cities have rates over 20%; at least two cities are over 30%.

II. The Current Crisis

Historic Unemployment Rate



III. Five Key Topics for Northern Michigan in 2010

III. Five Key Topics

1. Business tax burdens
2. High-tech industry clusters
3. The quality of life found in Michigan
4. The changing economic base
5. Turning Michigan around

III. Five Key Topics

1. Business tax burdens

- Employers seek locations with:
 - Good work forces
 - Access to markets
 - Competitive costs
- Taxes are part of those costs, and Michigan needs improvement here.

III. Five Key Topics

- According to AEG’s annual *State Business Tax Burden Rankings*, Michigan ranked 22nd for FY 2006. The addition of the MBT “surcharge” pushed us further down in the ranks.
- This may be average, but for Michigan’s employers and investors it is not good enough. We compete with states like Ohio, which is ranked 4th.
- Business tax burdens are not the only factor considered by investors, but we directly control them.

We must improve our tax climate as we look to 2010.

III. Five Key Topics

2. High-tech industry clusters

- Michigan already has high-tech assets in place.
 - Automation Alley
 - Facility for Rare Isotope Beams (FRIB)
 - University Research Corridor (URC)
- These centers are leading the way bringing revenue and tech to Michigan.
- The best known centers may be outside of Northern Michigan, but we are already using such technology in life sciences, energy, and other industries.

For future success, Northern Michigan should connect with these clusters and foster growth where possible.

III. Five Key Topics

3. The quality of life found in Michigan

- Our state is positioned to draw new residents based on the quality of life found here. We have:
 - Urban and metro areas
 - Rural beauty
 - Safe and affordable neighborhoods
- Michigan is also home to great universities.
- Residents here are never more than a few hours from the lake shore.
- Quality of life and quality of place are key differentiators for talented entrepreneurs and employees.

Northern Michigan recognizes this, and we should continue to enhance this economic advantage.

III. Five Key Topics

4. The changing economic base

- Michigan's economy has changed irrevocably.
- We cannot build a future for the state based on bringing back the past.
- Failure of the state government to address this produces:
 - Repeated fiscal crises
 - Tax increases...which accelerate tax base loss
 - Dissipated opportunities

Northern Michigan is an example for the rest of the state on how to be forward thinking.

III. Five Key Topics

5. Turning Michigan around

- Northern Michigan does not have to wait for leadership in Lansing, or in the automobile industry. That's a good thing!
- We should continue to do our part to pull Michigan out of its slump.

IV. Looking Ahead

IV. Looking Ahead

Personal and business choices in the coming years will be dominated by:

- Job opportunities
- Education, training and workforce
- Quality of life
- Connectivity for both travel and communication

Northern Michigan should plan with this in mind.

IV. Looking Ahead

Here are three strategies:

1. Emphasize valuable assets.

- Technical knowledge for manufacturing, life sciences, chemicals, electronics, defense, and other high-tech industries.
- Excellent colleges and universities, starting with the URC and to other public and private colleges.
- Excellent quality of life, outstanding beauty, great natural assets

Michigan is really good at certain things...start with those.

IV. Looking Ahead

2. Encourage reforms at the state level.

- We need to improve our business climate.
- We need to adopt a stable game plan for the future.
- We need to get our government finances under control.

We cannot afford to continue discouraging business and investment from coming into our state.

IV. Looking Ahead

3. Differentiate, differentiate, differentiate.

- Northern Michigan is a great place.
- Ensure workers, investors, and entrepreneurs see it that way.
- Make sure you keep it that way.



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