

**AN ECONOMIC ANALYSIS OF
BAXTER COUNTY IN
NORTHWEST ARKANSAS**



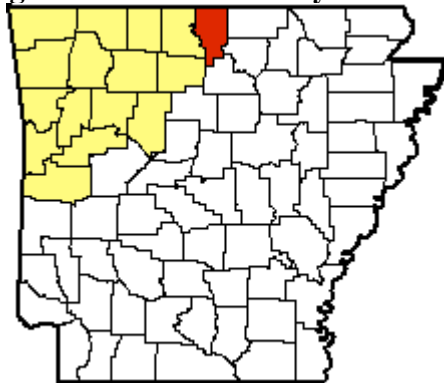
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An Economic Analysis of Baxter County in Northwest Arkansas

I. Geographic Description

Baxter County is comprised of 554 square miles and is located centrally along the Missouri-Arkansas border in the Salem Plateau physiographic region. Figure 1 highlights the counties that comprise the Northwest Arkansas region, as defined by the Arkansas Department of Economic Development. Baxter County is shown in red; all other counties in the region are shown in yellow.

Figure 1 – Baxter County's Location



The southern portion of the county is comprised of the Ozark National Forest. The county is also home to parts of two major lakes, Bull Shoals Lake and Norfolk Lake. The confluence of the Buffalo River and the White River occurs on the border of Marion and Baxter County; the White River continues northeast to the City of Norfolk, where it then flows southeast through the county to its eventual merging with the Mississippi River in Desha County in Southeast Arkansas.

Sources:

United States Census Bureau. State and County QuickFacts.

<http://quickfacts.census.gov/qfd/states/05/05005.html>

Chart 2-5: Physiographic Regions. Arkansas Statistical Abstract – 2000. April 2000.

Census State Data Center, University of Arkansas at Little Rock. Page 72.

The Rand McNally Road Atlas, 2002 Edition. Page 10.

II. Demographic Characteristics

Population

In 1980, the population of Baxter County was 27,409 persons. The county ranked 23rd in terms of population among Arkansas' 75 counties and 6th among the 16 counties in Northwest Arkansas. By 1990, the population of the county had increased 13.8 percent to 31,186 to rank 20th among Arkansas' counties and 6th among the counties in Northwest Arkansas. From 1980 to 1990, the population of the state of Arkansas increased 2.8

percent from 2,286,435 to 2,350,725; from 1990 to 2000, the state's population increased 13.7 percent to 2,673,400 persons. In 2000, the population of Baxter County stood at 38,386, an increase of 23.1 percent from 1990. The county was the 18th most populous county in Arkansas and the sixth most populous county in Northwest Arkansas in 2000. The five most populous cities in Baxter County and their populations in the year 2000 were Mountain Home (11,012), Gassville (1,706), Cotter (921), Lakeview (763), and Norfork (484). Mountain Home is the county seat for Baxter County.

DRI-WEFA, an economic analysis consulting firm, projects the population of Baxter County will increase by roughly 11.9 percent to 42,970 people in the year 2010. If the projections are realized, Baxter County will be the 17th most populous county in Arkansas and the sixth most populous county in Northwest Arkansas.

The gender makeup of Baxter County is similar to that of the state on the whole. In the year 2000, the proportions of males and females in the county were 48.0 percent and 52.0 percent, respectively, compared to 48.8 percent and 51.2 percent, respectively, for the state.

In the year 2000, Baxter County had the oldest median age, the lowest proportion of residents under age 18, and the highest proportion of residents age 65 and older among all Arkansas counties. In the year 2000, the median age of residents in Baxter County was 48.1 years, compared to 36.0 years for the state. From 1990 to 2000, the proportion of the county's population that was under 18 years of age decreased from 19.5 percent to 19.0 percent; for the same period, the proportion of Arkansans under 18 years of age decreased from 26.4 percent to 25.4 percent. From 1990 to 2000, the proportion of the county's population that was 65 years of age or older decreased from 29.2 percent to 26.8 percent; for the same period, the proportion of Arkansans age 65 or older decreased from 14.9 percent in 1990 to 14.0 percent in 2000.

The racial composition of Baxter County is decidedly more Caucasian than the population for the state on the whole. In 2000, the proportions of Baxter County's population comprised of Caucasians, African Americans, American Indians and Native Alaskans, and Asians were 97.8 percent, 0.1 percent, 0.5 percent, and 0.3 percent, respectively. For the state, in 2000, the proportions of Caucasians, African Americans, American Indians and Native Alaskans, and Asians were 80.0 percent, 15.7 percent, 0.7 percent, and 0.8 percent, respectively. In 2000, the proportion of residents in Baxter County who were Hispanic was 1.0 percent, compared to the state's proportion of 3.2 percent.

Sources:

United States Census Bureau, Population of Counties by Decennial Census: 1900 to 1990. <http://www.census.gov/population/cencounts/ar190090.txt>

United States Census Bureau, Census 2000, Redistricting Data (Public Law 94-171) Summary File.

http://factfinder.census.gov/servlet/BasicFactsTable?_lang=en&_vt_name=DEC_2000_PL_U_GCTPL_ST7&_geo_id=04000US05

The Rand McNally Road Atlas, 2002 Edition. Page 10.
 DRI-WEFA, U.S. Regional Analysis. Data supplied by the Institute for Economic Advancement, University of Arkansas-Little Rock.
 United States Census Bureau, Census 2000, Table DP-1. Profile of General Demographic Characteristics: 2000. <http://censtats.census.gov/data/AR/04005.pdf>
 United States Census Bureau, 1990 Census, Table DP-1. Profile of General Demographic Characteristics: 1990. http://factfinder.census.gov/servlet/BasicFactsTable?_lang=en&_vt_name=DEC_1990_STF1_DP1&_geo_id=04000US05
 United States Census Bureau, Census 2000, Table DP-1. Profile of General Demographic Characteristics: 2000. <http://censtats.census.gov/data/AR/05005005.pdf>
 United States Census Bureau, 1990 Census, Table DP-1. General Population and Housing Characteristics: 1990. http://factfinder.census.gov/servlet/BasicFactsTable?_lang=en&_vt_name=DEC_1990_STF1_DP1&_geo_id=05000US05005

Income

Table 1 presents median household income and median family income for the year 1999 and per capita personal income for the year 2000 for Baxter County. The table also ranks Baxter County in terms of these income statistics among the 75 counties in Arkansas and the 16 counties in Northwest Arkansas.

Table 1 – Baxter County Income Statistics

Income Statistic	Baxter County	Percent of State	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
1999 Median Household Income	\$29,106	90.4%	35	\$20,510	\$42,569	8	\$21,397	\$40,281
1999 Median Family Income	\$34,578	89.4%	37	\$25,846	\$48,717	8	\$27,580	\$45,235
2000 Per Capita Personal Income	\$22,368	101.7%	9	\$14,303	\$30,447	3	\$14,303	\$25,358

Table 2 presents poverty statistics for different resident groups in Baxter County and for the State of Arkansas in 1999. The table ranks the county among the 75 counties in Arkansas and among the 16 counties in Northwest Arkansas in terms of the three poverty rates presented. For example, the county ranked 71st among the counties in Arkansas and 15th among the counties in Northwest Arkansas in terms of the poverty rate for individuals in 1999.¹

¹ Note: Rankings are from highest poverty rate to lowest. Hence, a ranking of one indicates relatively high levels of poverty, and a ranking of 75 indicates relatively low levels of poverty.

Table 2 – Baxter County Poverty Rates, 1999

Poverty Statistic	County Rate	Arkansas Rate	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Individuals	11.1%	15.8%	71	7.2%	32.7%	15	10.1%	23.8%
Families with Related Children under 18 Years of Age	13.4%	18.1%	70	7.8%	40.8%	15	11.2%	26.4%
Individuals 65 and Older	8.9%	13.8%	72	7.3%	27.6%	15	8.6%	26.6%

Table 3 presents average weekly earnings for covered employment in Baxter County in the year 2001. The table also displays average weekly earnings as a proportion of the state’s figure and ranks Baxter County in terms of average weekly earnings relative to the counties in Arkansas and Northwest Arkansas for which data were available. For example, in terms of average weekly earnings in the manufacturing sector, Baxter County ranked 35th among the 71 counties in Arkansas for which data were available and 6th among the 15 counties in Northwest Arkansas for which data were available.

Table 3 – Baxter County Average Weekly Earnings, by Sector, Calendar Year 2001

Sector	Average Weekly Earnings	Percent of State	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Manufacturing	\$516.40	89.9%	35 / 71	\$260.75	\$894.22	6 / 15	\$312.98	\$587.60
Wholesale Trade	\$478.48	66.7%	47 / 68	\$214.77	\$995.14	9 / 14	\$214.77	\$995.14
Retail Trade	\$325.56	95.8%	14 / 73	\$215.61	\$439.32	6 / 15	\$244.32	\$358.05
Information	\$506.79	75.1%	32 / 56	\$306.77	\$869.54	9 / 12	\$348.10	\$832.62
Financial Activities	\$598.42	94.5%	5 / 73	\$282.76	\$829.55	3 / 14	\$282.76	\$622.20
Professional and Business Services	\$438.30	70.1%	34 / 68	\$218.14	\$955.05	8 / 15	\$256.91	\$955.05
Education and Health Services	\$594.30	109.6%	6 / 74	\$231.49	\$668.35	3 / 16	\$231.49	\$649.85
All Sectors	\$452.29	87.3%	29 / 75	\$316.63	\$681.93	7 / 16	\$316.63	\$631.34

Table 4 presents the share of personal income in Baxter County in 2000 attributable to different sectors of the economy. The table displays how this share compares to the proportion for the state in aggregate and ranks Baxter County in terms of the share of personal income attributed to the sectors relative to the counties in Arkansas and Northwest Arkansas for which data were available. For example, in terms of the share of personal income attributed to the manufacturing sector, Baxter County ranked 42nd among the 73 counties in Arkansas for which data were available and 11th among the 15 counties in Northwest Arkansas for which data were available.

Table 4 – Disposition of Personal Income in Baxter County, by Sector, Year 2000

Sector	Share of Personal Income	Greater or Less than State	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Farm Earnings	1.0%	-1.6%	62 / 75	0.1%	15.9%	15 / 16	0.4%	15.9%
Manufacturing	12.0%	-2.3%	42 / 73	1.3%	77.9%	11 / 15	3.4%	27.1%
Transportation and Utilities	2.0%	-3.7%	63 / 71	1.3%	14.5%	13 / 15	1.8%	14.5%
Wholesale Trade	1.0%	-2.5%	54 / 67	0.2%	11.4%	9 / 15	0.4%	5.9%
Retail Trade	6.4%	-1.4%	20 / 75	1.4%	24.4%	8 / 16	2.4%	24.4%
Finance, Insurance, and Real Estate	2.7%	-0.7%	12 / 71	0.8%	8.0%	6 / 15	1.1%	3.5%
Services	18.0%	3.1%	5 / 75	3.3%	29.0%	2 / 16	4.8%	29.0%
Business Services	2.1%	-0.5%	10 / 65	0.1%	10.5%	4 / 14	0.2%	5.5%
Health Services	10.6%	4.4%	3 / 72	0.5%	14.4%	2 / 16	0.5%	14.4%
Hotel and Lodging	0.6%	0.3%	6 / 55	0.04%	1.9%	2 / 14	0.05%	1.9%
Amusement and Recreation Services	0.3%	0.0%	11 / 48	0.03%	1.0%	5 / 10	0.03%	1.0%

The sale of livestock accounted for 99.1 percent of Baxter County’s cash receipts from farm marketings in the year 2000. Livestock cash receipts and total cash receipts for Baxter County in the year 2000 were \$24.3 million and \$24.5 million, respectively; the county ranked 41st in terms of the former and 63rd in terms of the latter among Arkansas’ counties. Cash receipts for crops and government payments for Baxter County in the year 2000 totaled \$211,000 and \$248,000, respectively; the county ranked 71st in terms of the former and 63rd in terms of the latter among Arkansas’ counties. The county ranked 61st among Arkansas’ counties in terms of total production expenses in the year 2000, \$21.3 million. As of January 1, 2002, Baxter County had a total of 22,000 cattle and calves and 10,000 beef cows; the county ranked 36th in terms of the former and 39th in terms of the latter among the counties in Arkansas.

Sources:

- United States Census Bureau, Census 2000, Table DP-3. Profile of Selected Economic Characteristics: 2000. <http://censtats.census.gov/data/AR/04005.pdf>
- United States Census Bureau, Census 2000, Table DP-3. Profile of Selected Economic Characteristics: 2000. <http://censtats.census.gov/data/AR/05005005.pdf>
- U.S. Commerce Department, Bureau of Economic Analysis, Regional Accounts Data, Local Area Personal Income, Table CA1-3: Personal Income Summary Estimates. <http://www.bea.gov/bea/regional/reis/>
- Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 6: County Summary Employment and Earnings, by Industry, Calendar Year 2001. <http://www.accessarkansas.org/esd/01antb6.htm>
- Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 1: Average Covered Employment and Average Weekly Earnings, by Industry, 2001. <http://www.accessarkansas.org/esd/01antb1.htm>

U.S. Commerce Department, Bureau of Economic Analysis. Regional Accounts Data, Local Area Personal Income. Table CA05 – Personal Income by Major Source and Earnings by Industry. <http://www.bea.gov/bea/regional/reis/>
 Arkansas Agricultural Statistics Service, National Agricultural Statistics Service, United States Department of Agriculture, 2001 County Profiles. <http://www.nass.usda.gov/ar/baxter.PDF>

Education

Baxter County contains the following three school districts, with October 1, 2000 enrollment found in parentheses: Cotter (642), Mountain Home (3,902), and Norfolk (468). Table 5 displays the average ACT composite score for high school seniors (which ranges from 1 to 36, with 36 being the best), the attendance rate, the dropout rate (percentage of students dropping out of school in Grades 7-12 from October of one school year to October of the next school year), the graduation rate (percentage of students enrolled in Grade 9 and completing Grade 12), and the college remediation rate (percentage of freshmen entering an *Arkansas* college or university who are required to take at least one remedial class) for the above school districts and for the state in aggregate.

Table 5 – Educational Statistics for Baxter County Schools, 2000-2001 School Year

School District	ACT Composite Score	Attendance Rate	Dropout Rate	Graduation Rate	College Remediation Rate
Cotter	20.5	91.4%	2.0%	89.8%	63.0%
Mountain Home	22.2	93.2%	2.0%	89.6%	35.0%
Norfolk	20.4	93.6%	1.3%	94.1%	25.0%
State Average	20.1	93.2%	3.0%	84.3%	41.0%

Among the 301 school districts in Arkansas for which data were available, the ACT composite scores for the school districts in Baxter County ranked as follows: Cotter (tied for 86th), Mountain Home (tied for 9th), and Norfolk (tied for 94th); because of ties, the rankings ranged from 1 through 299. Among the 72 school districts in Northwest Arkansas, the ACT composite scores for the school districts in Baxter County ranked as follows: Cotter (tied for 34th), Mountain Home (tied for 8th), and Norfolk (tied for 37th). District-wide average ACT composite scores for the 301 school districts in Arkansas for which data were available ranged from 24.0 to 14.0; for the school districts in Northwest Arkansas, the district-wide average ACT composite scores ranged from 24.0 to 15.8.

Among the 307 school districts in Arkansas for which data were available, the dropout rates for the school districts in Baxter County ranked as follows: Cotter (tied for 156th), Mountain Home (tied for 156th), and Norfolk (tied for 211th); because of 27 districts' being tied for last place with a 0.0 percent dropout rate, the rankings ranged from 1

through 285.² Among the 72 school districts in Northwest Arkansas, the dropout rates for the school districts in Baxter County ranked as follows: Cotter (tied for 30th), Mountain Home (tied for 30th), and Norfolk (tied for 51st); because of four districts' being tied for last place with a 0.0 percent dropout rate, the rankings ranged from 1 through 69. For the state, dropout rates ranged from 15.4 percent to 0.0 percent; for the districts in Northwest Arkansas, dropout rates ranged from 12.5 percent to 0.0 percent.

Among the 307 school districts in Arkansas for which data were available, the graduation rates for the school districts in Baxter County ranked as follows: Cotter (103rd), Mountain Home (tied for 107th), and Norfolk (tied for 51st). Among the 72 school districts in Northwest Arkansas, the graduation rates for the school districts in Baxter County ranked as follows: Cotter (27th), Mountain Home (tied for 29th), and Norfolk (11th). For the state, graduation rates ranged from 100.0 percent to 23.6 percent; for the districts in Northwest Arkansas, graduation rates ranged from 100.0 percent to 63.2 percent.

Among the 307 school districts in Arkansas for which there were data available, the college remediation rates for the school districts in Baxter County ranked as follows: Cotter (tied for 62nd), Mountain Home (tied for 223rd), and Norfolk (tied for 264th); because of 31 districts' being tied for last place with a 0.0 percent college remediation rate, the rankings ranged from 1 through 281.³ Among the 72 school districts in Northwest Arkansas, the college remediation rate for the school districts in Baxter County ranked as follows: Cotter (10th), Mountain Home (tied for 52nd), and Norfolk (66th); because of three districts' being tied for last place with a 0.0 percent college remediation rate, the rankings ranged from 1 through 70. For the state, college remediation rates ranged from 100.0 percent to 0.0 percent; for the districts in Northwest Arkansas, college remediation rates ranged from 80.0 percent to 0.0 percent.

In the Cotter School District, both the Amanda Gist Elementary School and the Cotter Junior/Senior High School are accredited by the North Central Association of Secondary Schools and Colleges (NCASSC). In the Mountain Home School District, all six of the district's schools are accredited by the NCASSC. In the Norfolk School District, the Norfolk High School is accredited by the NCASSC, and the Arrie Goforth Elementary School is a candidate for accreditation.

Table 6 displays the proportion of persons 25 years of age or older in Baxter County with various levels of education in the year 2000. The table also presents the proportions for the state in aggregate and ranks the county among the 75 counties in Arkansas and among the 16 counties in Northwest Arkansas in terms of the four levels of education presented. For example, Baxter County ranked 23rd among Arkansas' counties and 7th among the counties in Northwest Arkansas in terms of the proportion of the persons 25 years of age or older with a bachelor's degree in 2000.

² Note: Rankings are from highest dropout rate to lowest. Hence, a ranking of one indicates a relatively high dropout rate, and a ranking of 285 indicates a relatively low dropout rate.

³ Note: Rankings are from highest remediation rate to lowest. Hence, a ranking of one indicates a relatively high dropout rate, and a ranking of 281 indicates a relatively low remediation rate.

Table 6 – Educational Attainment in Baxter County, 2000

Level of Education	County	Arkansas	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Bachelor's Degree	8.6%	11.0%	23	4.2%	18.0%	7	5.4%	14.8%
Graduate or Professional Degree	4.2%	5.7%	23	1.8%	10.1%	7	2.8%	9.8%
Bachelor's Degree or Higher	12.8%	16.7%	21	6.3%	28.1%	7	8.4%	24.5%
High School Diploma or Higher	77.5%	75.3%	8	56.2%	84.4%	3	65.4%	80.4%

There are five Arkansas colleges and universities within 100 miles of Mountain Home, Arkansas. The institutions, the number and type of degree programs offered at the institutions, and their enrollment statistics are presented below.

Arkansas State University – Mountain Home (ASUMH) is a two-year public college. The Arkansas Higher Education Coordinating Board (AHECB) of the Arkansas Department of Higher Education has approved the dissemination of the following academic degrees and certificate programs at ASUMH: certificates of proficiency in 5 program areas, technical certificates in 9 program areas, and associate degrees in 14 program areas. Opening fall enrollment for ASUMH was 1,238 persons in 2001, 8.5 percent greater than fall 2000. Opening fall enrollment for the two-year public institutions in Arkansas stood at 43,387 in 2001, 6.3 percent greater than fall 2000. ASUMH ranked 13th among the 23 two-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at ASUMH has increased 45.3 percent, compared to a 16.6 percent increase for two-year public institutions in Arkansas.

Ozarka College, located in Melbourne, Arkansas in neighboring IZARD County, is a two-year public college. The AHECB has approved the dissemination of the following academic degrees and certificate programs at Ozarka College: certificates of proficiency in 5 program areas, technical certificates in 6 program areas, and associate degrees in 9 program areas. Opening fall enrollment for Ozarka College was 878 persons in 2001, 10.2 percent greater than fall 2000. The school ranked 22nd among the 23 two-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at Ozarka College has increased 22.3 percent.

The University of Arkansas Community College at Batesville (UACCB), located in Independence County, is a two-year public college in the University of Arkansas system. The AHECB has approved the dissemination of the following academic degrees and certificate programs at UACCB: certificates of proficiency in 6 program areas, technical certificates in 13 program areas, and associate degrees in 12 program areas. Opening fall enrollment for UACCB was 1,236 persons in 2001, 20.7 percent greater than fall 2000. The school ranked 14th among the 23 two-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at UACCB has increased 113.5 percent.

Lyon College, located in Batesville, Arkansas in Independence County, is a four-year private liberal arts college associated with the Presbyterian Church (USA) and offers baccalaureate degrees in 19 program areas. Opening fall enrollment for Lyon College was 526 persons in 2001, 11.0 percent greater than fall 2000. Since 1997, fall enrollment at Lyon College has increased 1.0 percent.

North Arkansas College (NAC), located in Harrison, Arkansas in Boone County, is a two-year public college. The AHECB has approved the dissemination of the following academic degrees and certificate programs at NAC: certificates of proficiency in 5 program areas, technical certificates in 25 program areas, an advanced certificate in electronics, and associate degrees in 26 program areas. Opening fall enrollment for NAC was 1,889 persons in 2001, 4.0 percent greater than fall 2000. The school ranked eighth among the 23 two-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at NAC has decreased 14.6 percent.

Sources:

Arkansas Department of Education, Arkansas School Information Site, Performance Report, 2001. <http://www.as-is.org/reportcard/rc2001/>

North Central Association Commission on Accreditation and School Improvement. <http://www.ncacasi.org/>

United States Census Bureau, Census 2000, Table DP-2. Profile of Selected Social Characteristics: 2000. <http://censtats.census.gov/data/AR/05005005.pdf>

United States Census Bureau, Census 2000, Table DP-2. Profile of Selected Social Characteristics: 2000. <http://censtats.census.gov/data/AR/04005.pdf>

Arkansas Department of Higher Education, Arkansas State Colleges and Universities. <http://www.arkansashighered.com/colleges.html>

Arkansas Department of Higher Education, Approved Academic Degree and Certificate Programs. http://www.arkansashighered.com/pdfs/RP/degrees_2003.pdf

Arkansas Department of Higher Education, Opening Fall Enrollment at Public Colleges and Universities. October 29, 2001. <http://www.arkansashighered.com/Research/Enrollment/Actual%20Enroll%20Fall%202001.xls>

Lyon College Registrar's Office. <http://www.lyon.edu/webdata/groups/registrar/> Phone: 870.698.4203.

Lyon College Academic Programs. <http://www.lyon.edu/webdata/groups/academicaffairs/acprogs.htm>

III. Infrastructure

Ports

There are no ports on the White River in Baxter County. The river is navigable on a seasonal basis by a nine-foot channel from Newport, located in Jackson County, a distance approximately 255 miles from the Mississippi River.

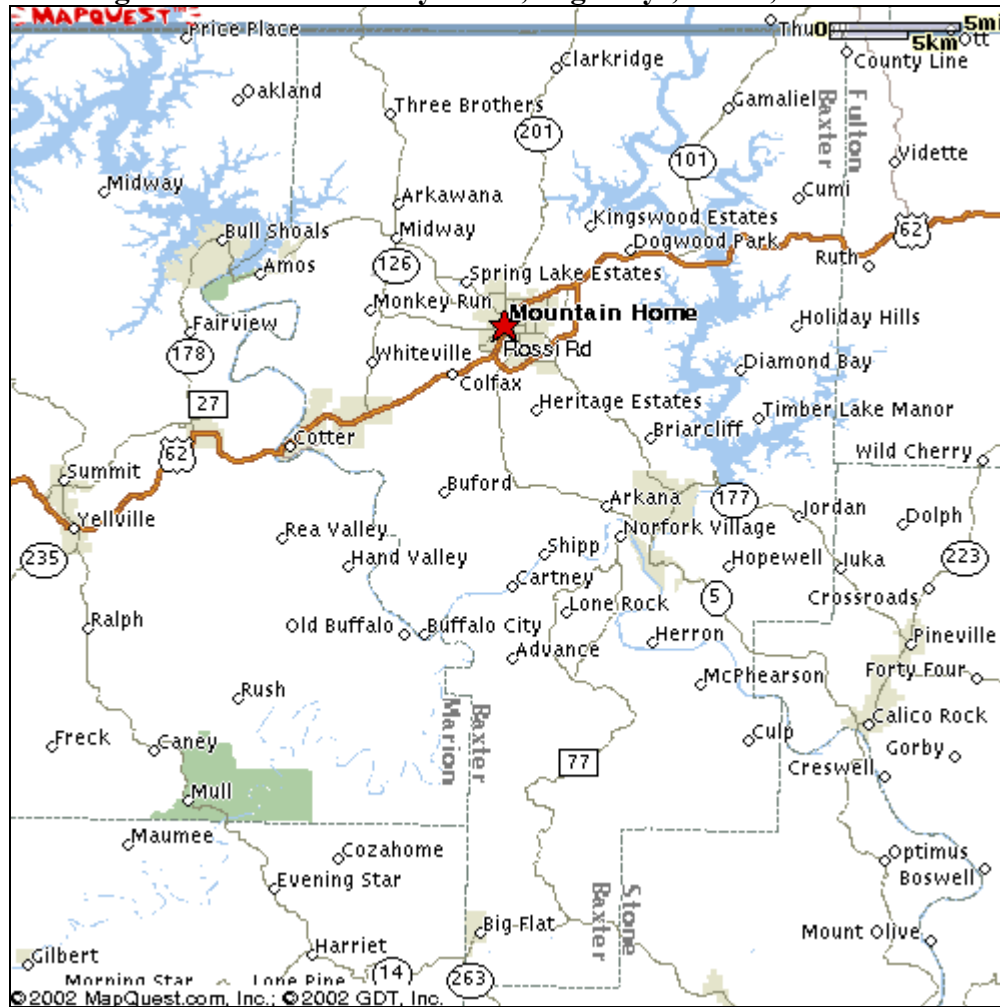
Source:

Arkansas Waterways Commission. <http://www.waterways.dina.org/whiteriver.html>

Highways

Figure 2 displays the major cities, highways, lakes, and rivers found in Baxter County. Widening of 4.22 miles of Arkansas Highway 101 is scheduled for 2003.

Figure 2 – Baxter County Cities, Highways, Lakes, and Rivers



Sources:

Arkansas State Highway and Transportation Department. Statewide Transportation Improvement Program 2003-2005 Preliminary.

<http://www.ahtd.state.ar.us/contract/progcon/stip/stip%20by%20ffy%202003%2D2005%20prelim.xls>

MapQuest.com, Inc. <http://www.mapquest.com>

Utilities

Table 7 displays the surplus water capacity, the surplus wastewater capacity, the electricity provider, and the natural gas provider for the five most populous cities in Baxter County.⁴

Table 7 – Utilities for the Five Most Populous Cities in Baxter County

City	Surplus Water Capacity	Surplus Waste Water Capacity	Electricity Provider	Natural Gas Provider
Cotter	0.5 million GPD	0.03 million GPD	Entergy	Arkansas Western Gas (AWG)
Gassville	0.115 million GPD	0.03 million GPD	Entergy	AWG
Lakeview	2.4 million GPD	Septic Systems	North Arkansas Electric Cooperative (NAEC)	N/A
Mountain Home	2.4 million GPD	2.5 million GPD	NAEC / Entergy	AWG
Norfork	0.1 million GPD	0.0445 million GPD	NAEC	AWG

The City of Gassville and the City of Cotter both utilize the same water treatment facilities and have entered into a contract with a construction company to double the cities' wastewater treatment capacity to 500,000 gallons per day. Construction is scheduled to be completed by June 17, 2003.

The City of Lakeview receives its water from the City of Mountain Home. In addition, the City of Lakeview has no wastewater treatment facilities; the city is serviced by septic tanks. There is no natural gas provider for the City of Lakeview; however, the propane is available from the following suppliers: Amerigas, Anderson's Propane, Community LP Gas, Empiregas, and Ozark County LP Gas.

Sources:

Tom Hubbard, Water Superintendent, City of Mountain Home, Arkansas.

<http://www.cityofmountainhome.com/waterdept.htm>

Danny Smith, Mayor, City of Gassville, Arkansas. <http://www.gassville.com/city.htm>

Ronny Smith, Water Superintendent, City of Cotter, Arkansas.

<http://www.cotterweb.com/city.htm>

Earl Straub, Manager, Lakeview-Midway Water Association, City of Lakeview, Arkansas. <http://www.lakeviewnet.com/city.htm>

Cory McFall, Water Superintendent, City of Norfork, Arkansas.

<http://www.norfork.net/city.htm>

Railroads

The Missouri and Northern Arkansas Railroad runs 527 miles from Kansas City, Missouri to Newport, Arkansas. The railroad passes through Cotter and Norfork as it closely follows the White River on its way to Newport. The railroad has interchanges

⁴ GPD = Gallons Per Day

with the Union Pacific Railroad in Kansas City, Missouri and Newport, Arkansas; with the Burlington Northern-Santa Fe Railroad in Lamar, Aurora, and Springfield, Missouri; and with the Kansas City Southern Railroad in Joplin, Missouri.

Source:

RailAmerica, Inc., North American Rail Group.

http://www.railamerica.com/html/missouri_northern_arkansas_r.html

Airports

There are two airports serving Baxter County, Baxter County Regional Airport in Mountain Home and Gaston's Airport in Lakeview. In addition, the Marion County Regional Airport is located in Flippin, just west of Baxter County. None of these airports has a control tower.

The Baxter County Regional Airport, located four miles northwest of Mountain Home, has two asphalt runways, each 5,001 feet in length, that can accommodate a 17,000-pound single-wheel aircraft. Services offered at the Baxter County Regional Airport include: aerial tours, aviation fuel, aircraft parking (hangars and tie-downs), aircraft charters, aircraft maintenance, catering, flight school and flight training courses, pilot supplies, public telephones, a pilot's lounge, and restrooms.

Gaston's Airport (Gaston's White River Resort), located one mile south of Lakeview, has a turf runway 3,200 feet in length. Services offered at the Gaston's Airport include: aviation fuel, aircraft parking (hangars and tie-downs), courtesy transportation, public telephones, restrooms, a restaurant, lodging, and a resort.

The Marion County Regional Airport, located one mile north of Flippin, has two asphalt runways, each 5,000 feet in length, that can accommodate a 30,000-pound single-wheel aircraft. Services offered at the Marion County Regional Airport include: aviation fuel, aircraft parking (hangars and tie-downs), a passenger terminal and lounge, aircraft maintenance, avionics sales and services, aircraft parts, rental cars on site, courtesy transportation, public telephones, a pilot's lounge, and restrooms.

The four major airports closest to Baxter County are Springfield-Branson Regional Airport in Springfield, Missouri (roughly 120 miles northwest of Mountain Home), Northwest Arkansas Regional Airport in Bentonville, Arkansas (roughly 150 miles west of Mountain Home), Adams Field Airport in Little Rock, Arkansas (roughly 180 miles south of Mountain Home), and Memphis International Airport in Memphis, Tennessee (roughly 200 miles southeast of Mountain Home).

Sources:

AirNav, LLC. Baxter County Regional Airport: Mountain Home, Arkansas.

<http://www.airnav.com/airport/KBPK>

AirNav, LLC. Gastons Airport: Lakeview, Arkansas. <http://www.airnav.com/airport/3M0>

AirNav, LLC. Marion County Regional Airport: Flippin, Arkansas.
<http://www.airnav.com/airport/KFLP>

IV. Labor Force

A breakdown of covered employment for Baxter County in 2001 is provided in Table 8 below.

Table 8 – Covered Employment for Baxter County, 2001 Annual Averages

North American Industry Classification System Industry Group	Average Employing Units	Average Covered Employment
Natural Resources & Mining	6	103
Construction	119	571
Manufacturing	66	3,289
Trade, Transportation & Utilities	281	2,370
Wholesale Trade	28	196
Retail Trade	226	2,002
Transportation, Warehousing & Utilities	28	171
Information	22	284
Financial Activities	90	545
Professional & Business Services	120	795
Education & Health Services	146	2,749
Leisure & Hospitality	121	1,349
Other Services	121	394
Local Government	35	1,106
State Government	13	277
Baxter County - Total	1,139	13,831

The manufacturing sector accounted for 23.8 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 20.5 percent. In terms of the proportion of covered employment attributed to the manufacturing sector, the county ranked 32nd among the 71 counties in Arkansas for which data were available and 8th among the 15 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 62.4 percent (Calhoun County) to 5.1 percent (Perry County); for Northwest Arkansas, the proportions ranged from Marion County's 48.2 percent to Newton County's 8.3 percent.

The wholesale trade sector accounted for 1.4 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 4.1 percent. In terms of the proportion of covered employment attributed to the wholesale trade sector, the county ranked 55th among the 68 counties in Arkansas for which data were available and 10th

among the 14 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 23.0 percent (Woodruff County) to 0.3 percent (Marion County); for Northwest Arkansas, the proportions ranged from Boone County's 7.5 percent to Marion County's 0.3 percent.

The retail trade sector accounted for 14.5 percent of total covered employment in Baxter County in 2001, compared to the state's figures of 11.9 percent. In terms of the proportion of covered employment attributed to the retail trade sector, the county ranked 12th among the 74 counties in Arkansas for which data were available and 1st among the 15 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 18.9 percent (Saline County) to 2.7 percent (Calhoun County); for Northwest Arkansas, the proportions ranged from Baxter County's 14.5 percent to Benton County's 8.6 percent.

The transportation, warehousing, and utilities sectors accounted for 1.2 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 5.5 percent. In terms of the proportion of covered employment attributed to the transportation, warehousing, and utilities sectors, the county ranked 67th ahead of Marion County and Bradley County among the 69 counties in Arkansas for which data were available and 13th ahead of Marion County among the 14 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 18.4 percent (Little River County) to 0.8 percent (Marion County); for Northwest Arkansas, the proportions ranged from Crawford County's 17.7 percent to Marion County's 0.8 percent.

The information sector accounted for 2.1 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 1.9 percent. In terms of the proportion of covered employment attributed to the information sector, the county ranked 5th among the 56 counties in Arkansas for which data were available and 2nd behind Boone County among the 12 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 3.6 percent (Pulaski County) to 0.3 percent (Little River County); for Northwest Arkansas, the proportions ranged from Boone County's 3.2 percent to Johnson County's 0.4 percent.

The financial activities sector accounted for 3.9 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 4.3 percent. In terms of the proportion of covered employment attributed to the financial activities sector, the county ranked 29th among the 73 counties in Arkansas for which data were available and 6th among the 14 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 7.5 percent (Pike County) to 1.9 percent (Nevada County); for Northwest Arkansas, the proportions ranged from Marion County's 5.0 percent to Scott County's 2.3 percent.

The professional and business services sector accounted for 5.7 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 9.2 percent. In terms of the proportion of covered employment attributed to the professional and

business services sector, the county ranked 16th among the 68 counties in Arkansas for which data were available and 5th among the 15 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 23.3 percent (Benton County) to 0.5 percent (Woodruff County); for Northwest Arkansas, the proportions ranged from Benton County's 23.3 percent to Scott County's 0.6 percent.

The education and health services sector accounted for 19.9 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 11.3 percent. In terms of the proportion of covered employment attributed to the education and health services sector, the county ranked 1st among the 74 counties in Arkansas for which data were available. For the state, the proportions ranged from 19.9 percent (Baxter County) to 2.2 percent (Little River County); for Northwest Arkansas, the proportions ranged from Baxter County's 19.9 percent to Crawford County's 6.6 percent.

The leisure and hospitality sector accounted for 9.8 percent of total covered employment in Baxter County in 2001, compared to the state's figure of 7.8 percent. In terms of the proportion of covered employment attributed to the leisure and hospitality sector, the county ranked 13th among the 73 counties in Arkansas for which data were available and 2nd behind Carroll County (home of Eureka Springs) among the 16 counties in Northwest Arkansas. For the state, the proportions ranged from 16.7 percent (Carroll County) to 1.9 percent (Woodruff County); for Northwest Arkansas, the proportions ranged from Carroll County's 16.7 percent to Madison County's 4.3 percent.

A summary of Baxter County's largest employers is presented in Table 9 below.

Table 9 – Baxter County's Largest Employers

Company Name	City	Product	Employees
Baxter Healthcare	Mountain Home	Surgical/ Medical Instruments	F
Baxter County Regional Hospital	Mountain Home	Hospital	E
Wal-Mart	Mountain Home	Retail	C
Mar Bax Shirt Company	Gassville	Shirts	B
Arkansas State University - Mountain Home	Mountain Home	College	B
American Stitchco	Mountain Home	Automotive Trimming	B
Eaton Corporation Aeroquip	Mountain Home	Rubber Hose	B
Harp's Foods	Mountain Home	Grocery Store	B
Epoxy Products	Mountain Home	Laboratory Sinks	B
TI Trailers	Midway	Boat Trailers	A

Employee Codes – A: Less than 100; B: 100-250; C: 251-500; E: 1,001-1,500; F: 1,501-2,500

Figure 3 displays the annual unemployment rates for Baxter County, the State of Arkansas, and the United States for the period 1995 through 2001. For the 1995-2000 period, Baxter County experienced unemployment rates below the state and national averages, save 1998 when the unemployment rate in Baxter County was 4.6 percent, 0.1 percent greater than the national unemployment rate. In 2001, the unemployment rate in

Baxter County was 5.7 percent, compared to the state and national figures of 5.1 percent and 4.8 percent, respectively. Baxter County had the 35th highest unemployment rate among Arkansas' counties and the 3rd highest unemployment rate in Northwest Arkansas in 2001. Unemployment rates in Arkansas ranged from 2.2 percent in Benton County to 13.9 percent in Mississippi County; unemployment rates in Northwest Arkansas ranged from Benton County's 2.2 percent to Newton County's 6.7 percent.

Figure 3 – Historical Unemployment Rate Comparisons: 1995-2001

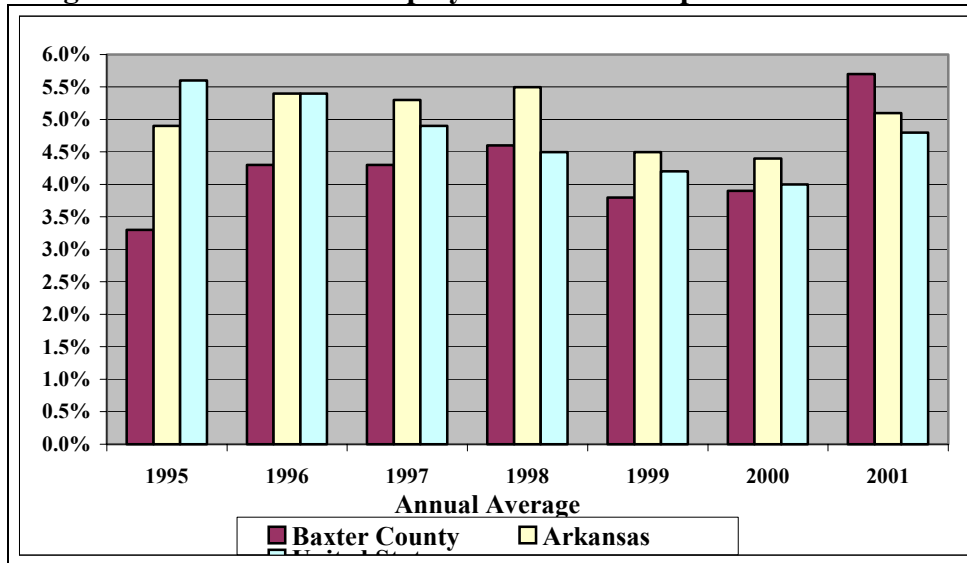
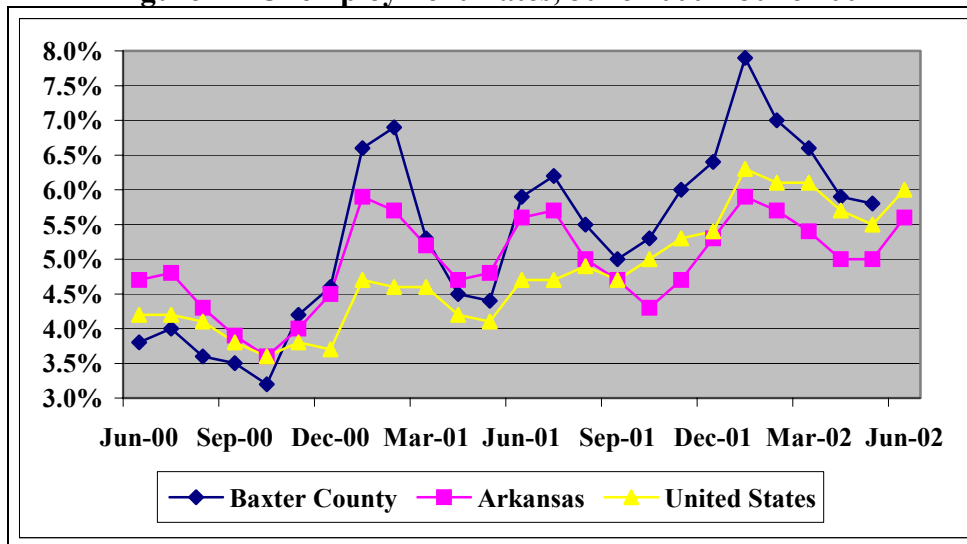


Figure 4 displays the monthly unemployment rate for Baxter County, Arkansas, and the United States from June 2000 to June 2002.⁵

Figure 4 – Unemployment Rates, June 2000 – June 2002



⁵ Note: Data are not seasonally adjusted.

Sources:

Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 6: County Summary Employment and Earnings, by Industry, Calendar Year 2001. <http://www.accessarkansas.org/esd/01antb6.htm>

Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 1: Average Covered Employment and Weekly Earnings, by Industry, 2001. <http://www.accessarkansas.org/esd/01antb1.htm>

Largest Employers by County data from Arkansas Department of Economic Development.

Arkansas Economic Security Department, Arkansas Revised Labor Force Statistics, Annual Average, 2001. <http://www.accessarkansas.org/esd/lmiaa01.htm>

Arkansas Employment Security Department, Arkansas Labor Force Statistics. <http://www.accessarkansas.org/esd/lmilaborforcestats.htm>

V. Available Industrial Sites and Buildings

There is currently one available industrial site in Baxter County. The property is located outside the city limits of Mountain Home and is owned by the county. There are 65 acres of available land within the property priced at \$1,500 per acre (negotiable). The site is 40 percent timber and has a slope of between 1 and 6 percent. Four firms have a presence on the site: Challenger, Inc.; Trailers, Inc.; J & S Manufacturing; and Mountain Home Manufacturing. The property is directly serviced by Arkansas Highways 5 and 126, with Interstates 40 and 44 being 120 miles to the south and north, respectively. The Missouri and Northern Arkansas Railroad has a line six miles west of the site, and the Baxter County Regional Airport is adjacent the property. Water service is provided by the City of Mountain Home through a 16-inch main with a normal line pressure of 65 pounds per square inch (psi). In addition, there is a 250,000-gallon water storage tank on-site. The City of Mountain Home also provides an eight-inch and a ten-inch sewer main to the site. Natural gas service is provided to the site by the Arkansas Western Gas Company (AWG) through a four-inch main with a normal line pressure of 120 psi. Electricity to the site is provided by the North Arkansas Electric Cooperative with a normal voltage of 13.8 kilovolts.

There are four available industrial buildings in Baxter County; all are located in Mountain Home. The first building, constructed in 1980, is located at 1815 South Spur and was previously occupied by Champion Boats. The metal facility has 113,700 square-feet of space (90,000 square-feet of manufacturing space and 3,000 square-feet of office space) on four-inch concrete floors and is accompanied by 6.48 acres of land, with an additional three acres available. Clearance under the beams ranges from seven feet, nine inches to 21 feet, 5 inches; the span between the beams ranges from 9 feet, 5 inches to 23 feet, 0 inches. The facility is 14 miles from the Missouri Northern Arkansas railroad and has seven floor-level doors, one truck well, five dock-high doors, and 100 paved parking spaces. The City of Mountain Home provides the facility with water service through an eight-inch water main and a six-inch sewer main. AWG provides the facility with natural gas through a two-inch main with a pressure of 35 psi; Entergy provides the facility with electricity. The facility is for sale with a price of \$999,999.

The second facility, constructed in 1994, is located at 44 Arrow Leaf Lane and was previously occupied by Sea Ox, producer of sea-faring fishing boats. The steel facility has 61,000 square-feet of space (57,000 square-feet of manufacturing space and 3,000 square feet of office space) on five-inch thick concrete floors and is accompanied by ten acres of land, with an additional 12 acres available for purchase. Clearance under the beams ranges from 16 feet, 4 inches to 22 feet, 3 inches; the span between the beams ranges from 18 feet, 8 inches to 24 feet, 3 inches. The facility is 6 miles from the Missouri Northern Arkansas railroad and has 1 floor-level door, 5 dock-high doors, and 75 gravel parking spaces. A well provides the facility with water through a two-inch main that has a pressure of 80 psi; the facility is serviced by a septic system. The North Arkansas Electric Cooperative provides the facility with electricity. The facility is for sale with a price of \$1,300,000 or for lease with a price of \$9,000 per month.

The third facility, constructed in 1978, is located at 30 Skeet Street and was previously used as a roller rink. The metal facility has 12,050 square-feet of space (11,350 square feet of manufacturing space and 600 square feet of office space) on four-inch thick metal floors and is accompanied by three acres of land. Clearance under the beams ranges from 11 feet, 0 inches to 14 feet, 1 inch; the span between the beams ranges from 13 feet, 5 inches to 15 feet, 10 inches. The facility is 14 miles from the Missouri Northern Arkansas railroad and has 50 gravel parking spaces. The City of Mountain Home provides the facility with water and sewer service through a ten-inch water main and a six-inch sewer main, respectively. AWG provides the facility with natural gas through a one-inch main; North Arkansas Electric Cooperative provides the facility with electricity. The facility is for sale with a price of \$400,000 or for lease, price negotiable.

The fourth facility, constructed in 1990, is located at 201 South Spur and was previously occupied by Champion Boats. The metal facility has 10,251 square-feet of space (9,000 square feet of manufacturing space and 1,000 square feet of office space) on six-inch thick concrete floors and is accompanied by three acres of land, with an additional 6.48 acres available for purchase. Clearance under the beams ranges from 11 feet, 4 inches to 13 feet, 11 inches; the span between the beams ranges from 13 feet, 11 inches to 15 feet, 2 inches. The facility is 14 miles from the Missouri Northern Arkansas railroad and has 2 floor-level doors, 2 dock-high doors, and 20 paved parking spaces. The City of Mountain Home provides the facility with water and sewer service through an eight-inch water main and a six-inch sewer main, respectively. AWG provides the facility with natural gas through a two-inch main with a pressure of 35 psi; Entergy provides the facility with electricity. The facility is for sale with a price of \$299,900.

Sources:

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=MOUN001

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Building.asp?BldNumber=878

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Building.asp?BldNumber=739

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Building.asp?BldNumber=877

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Building.asp?BldNumber=879

VI. Economic Goals

Baxter County faces both opportunities and challenges as a participant in the “new economy.” Relative to the other counties in Arkansas, Baxter County fares well in terms of educational achievement and poverty levels. By advertising itself as a retirement community, Baxter County has captured a population with relatively high per capita personal income. However, Baxter County faces some complex issues. Due to the high retirement population, the median age in the county is twelve years higher than the state’s median age. The proportion of residents under the age of 18 is also somewhat lower than the state average. Baxter County must implement policies that are conducive to retaining younger residents as they enter the labor force and move into their most productive years as workers.

Additionally, Baxter County is particularly susceptible to downturns in the manufacturing sector, having a heavier reliance on the sector than the state on the whole. Baxter County is also relatively heavy on education and health employment. Relative to other Arkansas counties, Baxter County has few employees in professional and business services. Fortunately, however, Baxter County’s manufacturers are in a wide variety of industries. Also, the existence of Arkansas State University—Mountain Home provides the availability of specific education and training opportunities. Increasing the educational attainment of residents will make the county more attractive to knowledge based industries.

Baxter County must take advantage of its proximity to Bull Shoals and Norfork Lakes in terms of the tourism and entertainment industries. Small companies with specialized services can help buffer the local economy from dependence on the larger manufacturers.

VII. Opportunities for Future Business Development

Surgical and Medical Instruments

Several trends affect the future business opportunities of the U.S. medical products industry. The first is an aging U.S. population, which will rank among the most important factors driving industry growth during the next few decades. Although the 65-and-older segment represents slightly less than 13 percent of the total U.S. population, it accounts for an estimated 40 percent of total healthcare expenditures. The U.S. Census Bureau

projections indicate that the over-65 segment of the U.S. population will constitute 18 percent of the population by 2030. The aging of America will particularly benefit the producers of cardiovascular products, such as pacemakers, defibrillators, and angioplasty catheters, which are used mostly on elderly patients. Orthopedic knee and hip implants and related products are also used primarily by the elderly, as are such diagnostic imaging products as magnetic resonance imaging (MRI) and computed tomography (CT).

The second trend that affects the healthcare market is that major purchasing decisions are now being made by managers of health maintenance organizations (HMOs), preferred provider organizations (PPOs), large hospital consortia, government agencies, and other large managed care buyers. It is believed that the percentage of purchases made by managed care providers will rise to more than 80 percent by 2005, according to Advanced Medical Technology Association (AMTA, formerly Health Industry Manufacturers Association). Managed care providers use their collective purchasing power to secure discounts on bulk purchases of pharmaceuticals and medical products, which levies cost control pressures on the industry.

The third trend is the overall unit pricing in the medical products industry will remain intensely competitive in coming years in both U.S. and international markets. Within the medical supply industry, the average prices of surgical, medical, and dental instruments and supplies in the 12 months ended December 2001 were up 0.9 percent (preliminary), well below historical price inflation for this high technology-oriented industry. By broad product category, pockets of pricing strength were seen in laboratory analytical instruments (up 2.5 percent), surgical orthopedic and prosthetic appliances and supplies (up 2.3 percent), and dental equipment and supplies (up 2.2 percent). As a result of pricing pressure, some manufacturers have created Internet-based medical product and supply auction sites, selling and distributing medical equipment, devices, and healthcare services worldwide.

Hospitals

One of the persistent trends in the hospital industry is the steady decline in the number of hospitals in the United States. According to data published by the American Hospital Association (AHA), the number of U.S. hospitals declined 1.4 percent to 5,810, and the number of licensed beds declined 1.0 percent to 984,000 in 2000. Although the number of hospitals fell, admissions are rising. According to the same AHA survey, admissions rose 2.1 percent to 34.9 million in 2000. These statistics indicate that as the total number of hospitals has declined, capacity utilization — the percentage of occupied beds to total beds — has risen.

While inpatient admissions moderated, the number of patients treated in outpatient settings, whether hospital-based or freestanding outpatient clinics, surgery centers, or physicians' offices, has grown dramatically due to the cost advantages of outpatient treatment. According to the most recent data available from the AHA, industry-wide outpatient visits reached 593 million in 2000, up more than 3.0 percent from 1999.

The growing role of information technology has become part of the marketing strategy utilized by hospitals. In general, hospitals are viewed as being in the early stages of general Internet use, with most of the sites currently providing basic information about a hospital and its services. It is less common for hospitals to utilize the Internet to provide information about disease management or doctor referrals, communicate with patients, or publish an online newsletter. Hospitals have also been increasing their use of information technology for administration and the storage of patient records, including images, such as those from x-rays, ultrasound, computed tomography (CAT), and positron emission tomography (PET). An area of increasing importance is the use of computer systems to make hospitals safer, particularly regarding medication errors.

With the restrictive pricing environment imposed by the realities of managed care organizations, hospitals' cost-cutting measures are expected to focus on reducing staffing levels and re-engineering to improve worker efficiency. The equipment categories that are likely to suffer the most include automated laboratory testing, cardiac catheterization, computed tomography, critical care, magnetic resonance imaging, nuclear medicine, radiation therapy, ultrasound, and x-rays. There are, however, some areas in which hospitals are expected to invest growing amounts in coming years. These include data processing equipment, telecommunications, energy-saving equipment (such as ventilation systems), and construction of new medical office buildings.

Retail

Retailing is a mature business, and growth opportunities are limited, given the large number of retail outlets spread across the country. Demographic trends primarily affect retail sales. As demographic trends influence consumers' preferences and shopping patterns, they are important to retailers' understanding of target markets. For example, the Baby Boom Generation, comprising individuals born between 1946 and 1964, constitutes some 78 million Americans - about 30 percent of the U.S. population. As the Baby Boomers entered adulthood and formed households, they fueled much of the boom in retail sales in the 1970s and 1980s. Today, having swollen the ranks of Americans in their 40s and 50s, their priorities have shifted from youthful spending to tuition payments for children and to saving for retirement.

Shopping trends also affect all aspects of retailing, from store layout to merchandise assortment. Current shopping trends in the U.S retail market can be summarized as Price + Quality = Value, "cross shopping," "precision shopping," and "going casual."

Although the American retail landscape is saturated with stores, sales can be increased by developing new markets overseas. Discount stores, like Wal-Mart, are expanding overseas more rapidly than other types of retailers, such as department stores. This is because discount stores offer low prices to attract customers; merchandising and cultural differences have made it unattractive for department stores, whose mainstay is apparel, to allocate the capital for overseas expansion.

Apparel Manufacturing

In order to compete effectively, U.S. apparel and footwear manufacturers have increasingly moved their production facilities to lower-cost regions outside of the United States, including Mexico, the Caribbean, Central America, and Asia. In the mean time, the “buy now, wear now” phenomenon that dominates the retail market requires manufacturers to shorten design, development, production, and distribution cycles. Thus, some seasonal /specialty items may need to be produced domestically. If such demand increases, it would be beneficial to have a more local production base.

Diversification of product lines through licensing and acquisition is considered by major players in the industry as an important strategy to expand sales and earnings. Acquisitions eliminate current or potential competitors while adding to the acquirer’s top line and market share. Licensing can benefit both the licensor and the licensee, with the former seeing an extension of its mega-brand, and the latter gaining a new source of income.

Understanding the major market segments is key to the success of apparel and footwear. One of the more apparent trends in recent years has been apparel and footwear companies’ focus on marketing to Generation Y — the 75 million individuals comprising people born between 1977 and 1994. According to a study conducted by Harris Interactive, a market research firm in Rochester, New York, on average, teenage girls spend 75 percent of their earnings from part-time work on clothing and related accessories, while boys spend 52 percent of theirs. Another group targeted by many traditional teen apparel manufacturers and retailers are so-called “tweens,” generally defined as preteens aged seven to twelve. There are currently about 27 million “tweens” in the United States. These children are already aware of fashion trends and influence more than \$150 million in annual family spending. Finally the market for large-sized fashion has become a big business. Two of the fastest-growing apparel industry segments have been the women’s plus (sizes 16 and up) and men’s big-and-tall (sizes XXL and larger) segments.

Automotive Parts Manufacturing

The aging of the U.S. automobile population, along with its growing size, should benefit firms producing replacement auto parts. The median age of U.S. passenger cars increased to 8.1 years as of June 30, 2001, up from 6.5 years as of June, 30, 1990, according to R.L. Polk & Co., a research firm based in Southfield, Michigan. All vehicles need maintenance. As they get older and out of warranty, they need general repairs. Typically, during the first three to five years of a vehicle's life, brake pads and batteries need to be replaced. At around seven years, spending rises as belts, hoses, alternators, and starters begin to need replacement. The value of repair spending peaks at around 11 years of age, as parts wear out, but even at that age a fixed-up vehicle could last long enough to make repairs financially worthwhile, versus buying a new vehicle. Given such favorable automobile demographics, demand for repairs and replacement parts is expected to continue to trend upward, which will benefit manufactures of auto accessories and components.

Boat Trailer Manufacturing

The demand for boat trailers is closely connected to purchases of recreational boats. Over the past several years, a strong domestic economy and gains in disposable personal income have helped accelerate purchases of large boats. The National Marine Manufacturers Association estimates that in 1999, retail expenditures related to boating rose 20 percent to \$23 billion. Demographic changes in the United States are poised to reshape the landscape for leisure product manufacturers for years to come. As Baby Boomers continue to age, they are expected to further shift their lifestyles and outlook on sports participation, especially on less vigorous leisure activities, liking boating, which will benefit expenditures related to boating.

Source: Standard and Poor's NetAdvantage.

<http://0-www.netadvantage.standardpoor.com.library.uark.edu/>