Trade Rout: As Trade Tensions Built Between U.S. And Canada, This American Border Town Felt The Freeze

Matt Cutler
*Cuny Graduate School of Journalism*

Isaac Carey
*Cuny Graduate School of Journalism*
As Trade Tensions Built Between U.S. And Canada, This American Border Town Felt The Freeze

By Isaac Carey and Matt Cutler
December 28, 2018

Derek Bradt knows buses.

While Bradt has never been to New York City, he can identify the make and model of many of the MTA buses trundling down the streets of Manhattan and the outer boroughs. He can tell you where they were made, when they were made, and how they were made. In fact, he helped make some of them himself.

Bradt, 28, is a technician at Nova Bus, a Quebec-based bus manufacturer with a large plant in Plattsburgh, New York. His wife also works at a bus manufacturing company in Plattsburgh, and together they have a seven-month-old daughter, Reagan. Only 25 minutes from the Canadian border, Plattsburgh has become a hub for Quebec manufacturers looking to expand into the U.S., and the locals are starting to feel the benefits.
Not only is Bradt working full-time at Nova Bus, but he is also studying towards his associate degree in mechanical technology at the local manufacturing school. The degree is partially paid for by Nova Bus, with the promise of a full-fledged, salaried engineering position once it is completed.

Blonde and stocky, Bradt is usually wearing a pair of steel-toed boots, as he travels between the floor of the factory and the classrooms of the local college. Talking about his life, he is straightforward and friendly, with an accent so northern, it almost sounds Canadian.

“I started off at Nova Bus as an assembler and I worked on the production line for two years installing wire harnesses,” he said, explaining that he got the job a few years out of high school with no prior manufacturing experience. “And every time the engineering team would come out on the floor I’d pick their brain. Hey! Can I talk to you for a minute? I have an idea for this process. Well, eventually — I don’t know if I was either annoying them or intriguing them — but they saw my interest, and that’s what pulled me into the engineering offices there.”

Bradt is an example of what a close business relationship with Canada can do for a town like Plattsburgh, offering families a pathway to the middle class. More than 100 Quebec-based companies operate there, and 15 percent of the workforce in the county gets a paycheck from a Canadian company. Even more impressive, this comes at a time when manufacturing jobs are declining nationwide. While factories are shutting down across the rust belt, in Plattsburgh they are opening up.
The newly bi-lingual water tower in Plattsburgh, New York.

There is just one problem.

All of this was made possible by the North American Free Trade Agreement, or NAFTA. And just this April, the Trump administration abruptly threatened to pull out of the agreement, leveraging tariffs on Canadian goods and making business between the two countries much more costly. So far, companies like Nova Bus have absorbed whatever price increases have come their way, and the USMCA has provided some relief, but the situation is far from over.

The protracted and ongoing trade tensions, not to mention the bitter rhetoric between the two countries, has caused significant harm to the cross-border relationship, and the future of Plattsburgh’s economy is still uncertain.

Economic History and Decline
Map of Lake Champlain, published in 1896. For centuries Plattsburgh has benefited from its
position along this major trade route. Photo: NYPL Digital Collections
(https://digitalcollections.nypl.org/items/57937670-80bb-0133-34c9-00505686d14e)

Plattsburgh has a long history of manufacturing, stretching back over 100 years, thanks to its location by two major waterways. Nestled between Lake Champlain and Saranac Lake, traders shipped goods northward via the Saint Lawrence River, and southward to New York City via the Hudson River. Factories emerged at this crossing point, and the region became a supplier of forestry products as well as metal. Plattco, a metal foundry that started in Plattsburgh in 1897, is one of the town’s oldest companies, and still operates there today.

But the trade routes only brought the region so much. Plattsburgh was still more than 300 miles from the main economy of New York City, and all the benefits that economy brought to southern New York. Stranded so far north, the North Country remained extremely rural and sparsely populated, with not much opportunity for growth.

That began to change around 1953, when the U.S. Air Force commissioned a major military base in Plattsburgh. Within a couple of years, military families from all over the country were flowing through the town, bringing a diversity and a liveliness the region had never before experienced. Bars opened to cater to the air force personnel. The schools swelled in size, as their children integrated into the local school system. Car dealerships and moving companies sprang up to serve the constant ebb and flow of military families.

Bill Owens, former Congressman for the North Country, and a former air force captain at the base, estimates that the Plattsburgh Air Force Base pumped $80 to $125 million into the local economy each year, a huge amount for such a small town.
As Trade Tensions Built Between U.S. And Canada, This American Border Town Felt The Freeze – Trade Rout


And so in 1993, when the base closed — all of a sudden, without warning — Plattsburgh was plunged into a recession that had the makings of something fatal.

“I’ll remember that day all my life,” said Clyde Rabideau, who was mayor of Plattsburgh at the time. “It was just shock. People on the street couldn’t believe it. I mean, it was like, This can’t be happening.”

The economic slowdown caused by the abrupt removal of this stimulus lasted almost 10 years, according to Victoria Duley, an economic developer at The Development Corporation, an economic nonprofit that has operated in Plattsburgh since the 1960s. Property values dropped. And for the first time since the base opened, the town’s population began to decline. By 2000, Plattsburgh’s population had fallen 35 percent, from around 17,000 to just 11,000 in the span of a few years.
Many thought the town would never recover.

Welcome to “The U.S. Suburb of Montreal”

Fortunately for Plattsburgh, town leaders had the beginnings of a plan by the time the crisis hit. Even before the base officially shut down, the town had been considering a different strategy for long-term economic growth. The closure merely kicked it into high gear.

That strategy was Quebec.
While Plattsburgh is a six- or seven-hour drive from New York City, it is only an hour and a half from Montreal, Quebec. In the mid-1990s, with the Canadian-U.S. border increasingly free and open, Plattsburgh’s isolation began to seem unnecessary. Instead of looking southward, Plattsburgh officials thought, why not look northward?

Garry Douglas, the president of the region’s Chamber of Commerce, was the first to refer to Plattsburgh as the “U.S. Suburb of Montreal.” He has been throwing that term around for over a decade now, and although some locals chafe at it (“It’s like they’re pimping us out,” said one Nova Bus employee, Jon Strack), by now the nickname has stuck.

“If we had been one hour out of San Francisco, Houston or Atlanta,” Douglas explained, “We would have naturally thought of ourselves as part of that metropolitan region.” But because Montreal is in another country, the town had never considered it. “It was changing that mindset and saying: Well, of course we’re part of metropolitan Montreal.”
Garry Douglas, president of the North Country Chamber of Commerce, in his office.

photo: Matt Cutler, 2018.
A small, portly man with a thick moustache, and most commonly found in a three-piece suit, Douglas looks the part of an old-fashioned statesman. Before joining the North Country’s Chamber of Commerce in 1992, Douglas worked 13 years in the U.S. House of Representatives as an executive assistant to Democratic Congressman Gerald B. Solomon of New York.

The political connections he picked up in his years in Washington proved crucial in establishing the Montreal-Plattsburgh relationship. For example, Douglas leveraged his influence to get state funding in order to rebuild the Champlain-Lacolle Border Crossing, which connects Quebec to New York. By year 2000, the state had secured $170,000,000 to rebuild the border. This essentially made the border large enough to accommodate the growing number of shipping trucks crossing back and forth.

And after the terrorist attack on September 11th, 2001, when border security tightened nationwide, Douglas made a conscious effort to represent the interests of Canadian business leaders. He set up meetings between Canadian businesses and U.S. senators, asking politicians to keep the Canadian border running smoothly.

Outside the North
The Growth of a Transportation Cluster

As Douglas took care of the political side of things, Owens and others tackled economic development.

As soon as the air base had been completely evacuated in 1995, town leaders went into action. Owens himself co-founded an organization called PARC, or the Plattsburgh Airbase Redevelopment Corporation, which took over the abandoned air base, with the goal of recruiting Canadian companies to open locations on it.

In particular, PARC worked with The Development Corporation, fielding phone calls and setting up appointments with Canadian manufacturers. The Development Corporation provided manufacturers with information on what to expect when expanding internationally, and even helped facilitate educational tours for Canadian business leaders, going a long way to foster trust between the two regions.

Their efforts paid off.
Paul Grasso, president and CEO of The Development Corporation.

A photo hangs showing one of TDC’s three business parks. photo: Matt Cutler, 2018.
Plattsburgh’s airport tells a lot about the town’s history and future. A former air base, and hopeful international terminal, but that’s half the story. In other transit news, Plattsburgh’s first escalator opened when the airport’s terminal was remodeled last year.

Within six months of the base closing, the first Canadian manufacturing company had opened up a site in Plattsburgh. This was Bombardier, a Quebec aerospace and transportation company which is now one of the region’s biggest employers.

In 2007, part of the old air base was even converted into Plattsburgh’s first international airport. The town’s economic developers hoped that the airport, which provided easy access to the region, would further encourage Canadian businesses to choose Plattsburgh as their U.S. location.

Graphic:
Isaac
Carey

https://traderout.wordpress.com/trade-rout/
Then in 2009, Bradt’s employer, Nova Bus, arrived on the scene. Owned by Volvo Buses, Nova Bus became yet another member of the region’s busy “transportation cluster,” and attracted suppliers such as Quebec-based B3CG Interconnect. Then, in 2016, Quebec-based Demers Ambulances also opened up a Plattsburgh location. And just last year, Norwegian aerospace manufacturer Norsk Titanium joined the ranks, helping to grow the region’s budding “aerospace cluster.”

Owens credits this rapid success to the amount of research, investment and personalized care the town puts into recruitment.

“What we’ve been able to create,” Owens said, “is a culture where people in Montreal who are looking to expand in the U.S. find us to be knowledgeable and welcoming and able to assist them in getting started. And that atmosphere has created, I think, a tremendous amount of goodwill from Montreal towards Plattsburgh.”
By now, nearly all of the land belonging to the old air base has been repurposed. The result has not been a manufacturing boom, necessarily, but rather a stable manufacturing-based economy, fueling the region’s middle class.

In particular, the growing cluster of Canadian transportation companies is a key generator of jobs. Since 2010, companies like Demers and Bombardier have added over 450 jobs to the region, and the county has an unemployment rate of just 3.6 percent, beating the already-low national average of 3.7.

These are solid jobs, too, with potential for advancement. In 2016, for example, the average yearly income of a manufacturing worker in the county was almost $54,000, about twice as much as a retail job in town, according to the New York State Comptroller. And in 2018, the typical “walk-in-off-the-street wage” at a major manufacturer was a little over $18 an hour, well above current minimum wage of $11.10.

Plus, with major manufacturers like Nova Bus offering on-the-job training, and sometimes even helping with formal education, young people are finally starting to see local opportunities for themselves.

In 2016, the town opened up its very own manufacturing school with $12.7 million in state funding. Called the Institute for Advanced Manufacturing, it aims to generate skilled workers in response to the growing number of skilled manufacturing jobs. It also serves as a site for companies to train current employees.
As Trade Tensions Built Between U.S. And Canada, This American Border Town Felt The Freeze – Trade Rout


All of this has helped stem the population decline set in motion after the air base closure. Between 1990 and 2000, the overall county population declined from about 86,000 to about 80,000. But by 2010, after the partnership with Montreal was established, population numbers had slightly recovered, increasing to about 82,000.
This has not gone unrecognized. In 2015, Foreign Direct Investment magazine, a Financial Times publication, ranked Plattsburgh as the number two “Micro American City of the Future” (micro referring to cities with a population of less than 100,000). This is up from number four in 2013. Pointing to Plattsburgh’s ability to attract investments from foreign companies, the magazine predicted that the town would continue to grow.
A runway at the Plattsburgh International Airport, which sits between Lake Champlain and the woods of the North Country. Although the airport has helped bring in foreign...
businesses, during the off-season it can become nearly empty, bringing in as few as two flights a day. Photo: Isaac Carey, 2018.

It All Comes to a Halt

Duley remembers when the phones at The Development Corporation just stopped ringing.

“I’d say late spring we really saw a slow down,” she said, referring to May or June of 2018. “We saw companies that we were already talking with, that we were looking to do expansions with, all of a sudden they were not getting back to us. And new phone calls were not happening. It got very, very quiet.”

Duley has been working as an economic developer for over 15 years now, and she has an intimate knowledge of what goes on behind the scenes. Friendly and enthusiastic, she spends her days in and out of meetings with staff and potential business clients.

So it is striking when she says that in all her years at the organization, she has “never seen the office so quiet.”

In fact, she added, it was somewhat eerie.
Victoria Duley, an economic developer with The Development Corporation. The company acts as a non profit, working hand in hand with the chamber of commerce and other business groups in the North Country. photo: Matt Cutler, 2018.

These were the grim months following Trump’s April announcement that the U.S. may be pulling out of NAFTA. You know, the trade agreement that made Plattsburgh’s recent prosperity possible, eliminating almost all tariffs on imports and exports, and breaking down trade barriers between the U.S., Canada and Mexico.

Calling the agreement “the worst trade deal ever made,” Trump leaned into his protectionist rhetoric, all the while lashing out at Canada for being simultaneously predatory and weak.

Even on the Canadian side, cross-border business relations during the same period slowed considerably. The Chamber of Commerce of Metropolitan Montreal noticed a 50 percent reduction in the number of companies expressing an interest in expanding to the U.S., according to Chamber president Michel Leblanc.

The cause was not hard to determine. With a suspended trade agreement, and wild pronouncements from the United States president, Canadian businesses felt the U.S. economic climate was too
uncertain to make any new investments.

And it was not just the uncertainty that hurt Plattsburgh. Trump slapped tariffs on Canadian autos, as well as on Canadian steel and aluminum — both of which are central to Plattsburgh’s manufacturing sector. According to Bradt, who works with hulking automobiles, the tariffs had a significant impact on Nova Bus, adding a $1,000 dollar fee to each structure shipped over the border.

And then, suddenly, on October 1, Trump announced the advent of a new deal: the USMCA, or the United States Mexico Agreement. Cautiously, Duley remembers, the phones began to ring again. Relief was felt across the region. Economic and political leaders in Plattsburgh touted the agreement as a savior, making up for the months of uncertainty.

And yet, for many, it was too little too late.
While the USMCA bears a strong resemblance to NAFTA (Douglas likes to call it “NAFTA 2.0”), there are a couple key differences which are problematic for a region like Plattsburgh. The first is simply that some of the tariffs are not resolved. The new agreement maintains the 25 percent tariff on Canadian steel and the 10 percent tariff on Canadian aluminum. Which means that cross-border companies that have been accruing these tariffs will not see relief anytime soon.

But perhaps most importantly, the agreement only came into being after months of trade tensions between the two countries, and bitter rhetoric between Trump and Canadian prime minister Justin Trudeau. Rather than facilitating a business relationship, the agreement actively did it harm.

The North Country Chamber of Commerce offices.
Chamber President
“During the negotiations, the relationship between Trump and Trudeau deteriorated badly,” said Harold Waller, a former political science professor at McGill University in Montreal, who retired this year. “I think it was the public pronouncements from Trump, which were so hostile and ill-tempered, which were the worst. It’s just not the way friendly nations negotiate with one another.”

This, of course, will have an effect on what is to come. Considering that the steel and aluminum tariffs are still being negotiated, that does not bode well for Plattsburgh.

“Canadians will be more wary of future negotiations with the Trump administration,” Waller said. “Especially because he doesn’t leave it up to technocrats and diplomats. He likes to hover over everything himself. So as long as Trump’s in office, Canadians will have a challenging situation in terms of negotiations with the U.S.”

In fact, Canada has had to take things into its own hands. Just a few days after the USMCA was signed, Trudeau announced that certain Canadian companies would be refunded for extra costs coming from the U.S. steel and aluminum tariffs. Although Trump may be near-impossible to negotiate with, trade with the U.S. is vital for Canada.

So Now What?

On top of everything else, it is not clear when — or if — the USMCA will go into effect at all. Congress has stated it will not consider the agreement until 2019, when Democrats assume the House majority. Many Democrats have already indicated a reluctance to pass the agreement as-is, expressing
skepticism with the deal’s language around minimum wages in the auto industry.

Plus, with a presidential election coming up in 2020, some Democrats might not want to sign off on a Trump-approved deal at all. Meaning that all the uncertainty that plagued Plattsburgh this summer will continue with no sure end date.

But for Bradt, he considers the tariffs only a temporary set-back. Although Nova Bus is a Canadian company mainly serving Canadian cities, Bradt sees a future where the Plattsburgh location increasingly focuses on serving the U.S. market.

“Right now we are building a lot of contracts for Canada, for Canadian cities,” he said. “But looking forward, the main goal is to fill our plant with U.S. contracts. We want to grow and we want to be the best bus manufacturer in the United States.”

He mentioned that Nova Bus Plattsburgh is currently competing with other bus manufacturers to land a contract with New Jersey Transit. “If we get that,” he said, his voice rising in excitement. “Then we’re made.”

The Nova

Derek Bradt leads us on a tour of the Nova Bus factory in Plattsburgh, New York. Auto tariffs have increased costs in the supply chain, but the company is eating the price hikes as production rolls on.

It is exciting. In a couple more years, Bradt expects to finish his associate degree, at which point he will officially become an industrial engineer.

This February, with the promotion looming, Bradt and his wife bought their very first home. A modern colonial-style house, it has a long front porch and a wide yard facing the woods of upstate New York. Plus, it is just a nine minute drive from the Nova Bus plant.

“This is just something we’ve been working really hard for,” he said. “For a really, really long time.”