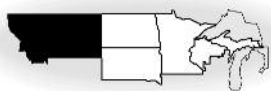


## MONTANA



## Telcos blast cable broadband plan

Gov. Brian Schweitzer's backing of a cable firm's bid for federal economic stimulus funds to expand high-speed Internet service in rural areas has drawn sharp criticism from telephone companies and their chief regulator in the state.

Bresnan Communications, a cable TV and Internet provider, has proposed building a 1,885-mile fiber-optic network to pipe broadband to seven Indian reservations and other underserved areas of the state. Schweitzer's office singled out the Bresnan project from more than a dozen competing proposals as a "top priority," urging the U.S. Department of Commerce to fully fund it at a cost of \$70 million.

Telephone companies blasted Schweitzer for endorsing the Bresnan plan, charging that it would duplicate the firms' existing long-distance fiber-optic lines in rural areas, including the Indian reservations. The Montana Public Service Commission also criticized Bresnan's proposal, saying that it failed to increase critical "last-mile" broadband access for homes and businesses.

Officials with Bresnan and the state's Indian tribes defended the project. They said the new network would eventually provide faster, cheaper broadband Internet service to Indian reservations, fostering business development and boosting employment.

Federal officials were expected to decide by January which projects in the state will receive stimulus funds.

## Farm groups object to BSNF rate hike

Balking at a proposed increase in rail freight rates, two Montana farm groups plan to take their grievances to mediation with the Burlington Northern Sante Fe railroad.

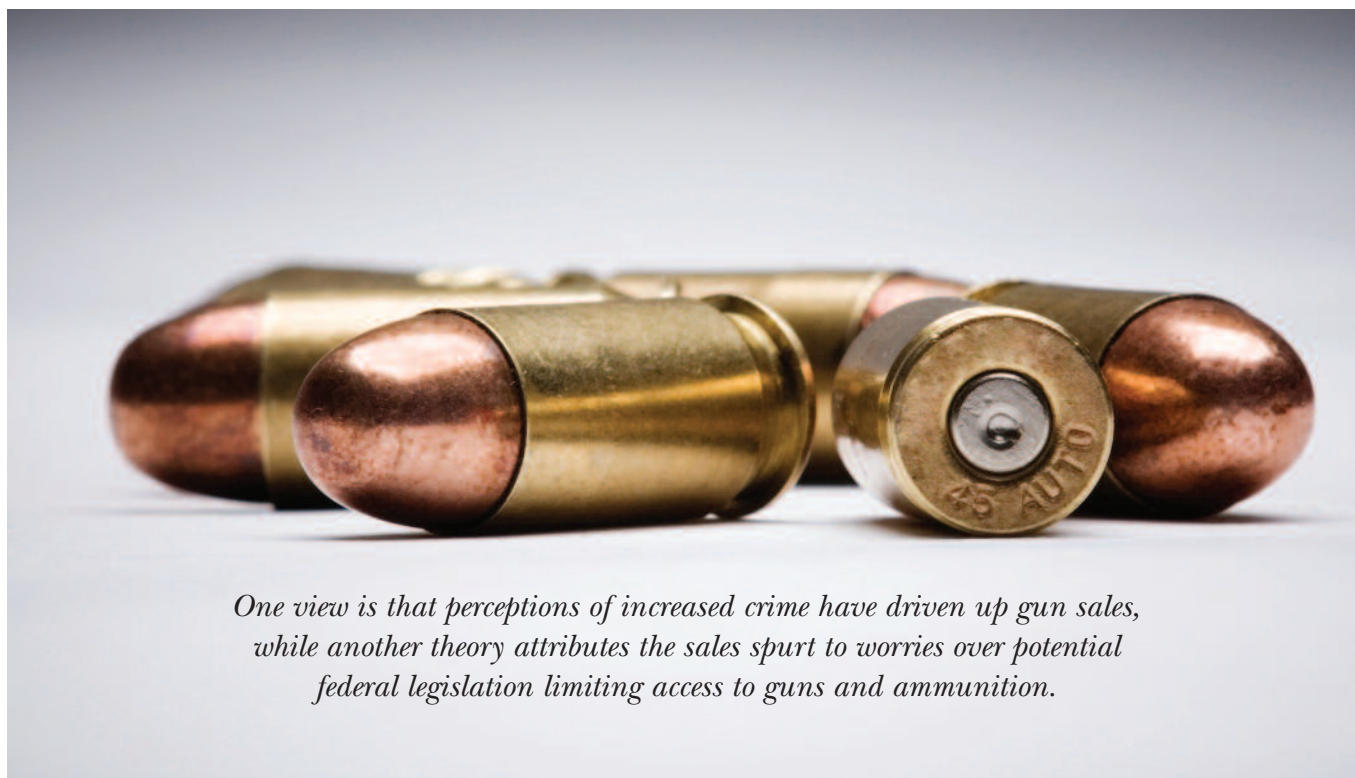
BNSF and the farm groups—the Montana Farm Bureau Federation and Montana Grain Growers Association—agreed earlier this year to mediate and arbitrate disputes over grain freight rates in the state. Such a dispute arose when a Shelby-area farmer objected to BNSF's proposal to raise the rate on Shelby-to-Portland, Ore., grain shipments by about 3 cents per bushel.

Montana farmers have long expressed concern about lack of competition inflating rail shipping rates. BNSF, which is being acquired by billionaire investor Warren Buffett, controls more than 90 percent of the rail miles in the state.

—Phil Davies

# A call to arms

*Gun sales surged during the recession, but lately have slowed*



*One view is that perceptions of increased crime have driven up gun sales, while another theory attributes the sales spurt to worries over potential federal legislation limiting access to guns and ammunition.*

By JOE MAHON  
Staff Writer

There's an old joke in the gun and ammunition business that firearms are a countercyclical asset. When the economy sours, the reasoning goes, fear of crime makes people reach for comfort—a pistol, rifle or shotgun with which to fend off the desperate and preserve life and property.

It's debatable whether economic downturns increase crime (see the March 2009 *fedgazette*). But there's plenty of anecdotal evidence that sales of firearms and ammunition have risen during the current recession. In the first quarter of last year, gun maker Smith & Wesson reported a 30 percent increase in profits. Winchester Ammunition's earnings doubled in the second quarter, and during the same period, Alliant Techsystems, a Twin Cities-based aerospace and defense firm, saw profits on its consumer gun and ammunition products rise 25 percent. "There's been unprecedented demand for ammunition sales on our sport ammunition line," said Alliant spokesman Bryce Hollowell.

The media have aired numerous stories about soaring gun and ammunition sales and ammo shortages in some areas of the country last year. In many accounts, the underlying force is not economics, but politics—namely, fears that a Democratic administration in Washington will restrict access to firearms.

Are guns really flying off the shelves, and if so, why? It turns out that gun sales nationwide and in the Ninth District did increase in 2009. Although recession-driven fear of crime may have played a role, the more likely explanation is concern about a potential government crackdown on guns. However, there's evidence that in recent months the rush to stock up on guns has abated as continuing economic woes have crimped discretionary spending.

## Jumping the gun

Although Americans spend a lot of money on firearms and ammunition, tracking trends in gun sales isn't straightforward. Federal tax receipts from gun and ammo sales show that sales increased sharply last year nationwide—52 percent in the second quarter of 2009 compared with the same quarter a year earlier.

But U.S. Treasury tax figures aren't available for individual states, and in general state-level data on gun purchases are spotty; no district state requires registration of firearms, and only Minnesota requires a permit to buy a firearm.

There is one federal data set that serves as an indicator of the volume of gun and ammunition sales. Since passage of the Brady Handgun Violence Prevention Act in 1993, all gun buyers have been required to pass a criminal background check. In the late 1990s,

the FBI automated these checks in its National Instant Criminal Background Check System (NICS). The NICS database tallies all transactions monthly and tracks them at the state level.

The FBI takes pains to point out that NICS doesn't tally firearm sales. A gun store customer might purchase several guns, or decide to buy none at all. A buyer who has already passed a previous background check at a given store can buy additional guns without adding to the numbers. And if a prospective buyer fails a background check, there's no sale.

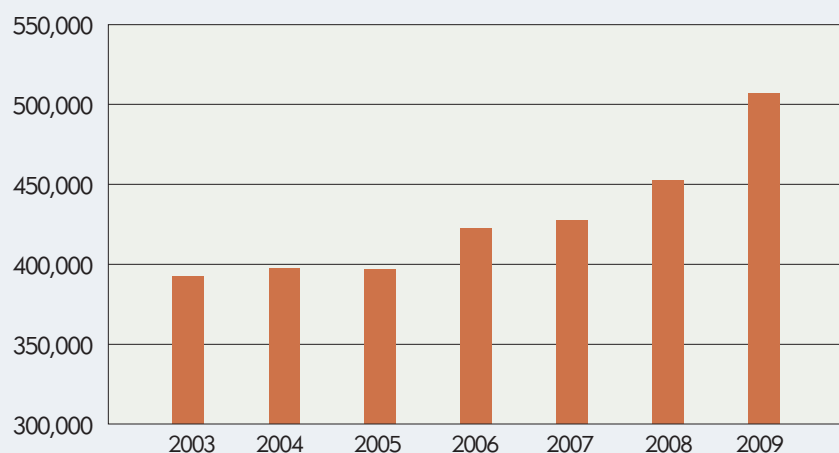
But the NICS numbers provide a rough proxy for overall firearms demand. Since any first-time gun buyer has to pass a background check, the numbers should reflect greater public interest in buying firearms.

The data imply that firearms activity has indeed risen over the past year or so (see chart on page 9). Nationally, the number of background checks through September 2009 (the most recent month for which data were available) increased 20 percent over the same period a year earlier.

In the five-state region, the number of firearm background checks rose by nearly 77,000, or almost 13 percent. Background checks also increased in every district state, but the level of increase varied greatly. South Dakota saw the biggest jump of more than 17 percent, while the rise in checks in North Dakota was minimal—less than

### Firearm background checks in district states jumped in 2009

Number of firearm background checks, January through September\*



\*Includes Minnesota, Montana, North Dakota, South Dakota and Wisconsin

Source: Federal Bureau of Investigation

2 percent. Minnesota's increase was more typical at just under 13 percent, similar to increases in Montana and Wisconsin.

Interest in purchasing firearms has cooled in recent months, however. Last summer, the number of background checks nationwide continued to increase, but at a slower rate than in late 2008 and early 2009. During the summer in Minnesota and Wisconsin, the number of background checks was flat year over year, and the count fell slightly in September in Minnesota.

These figures suggest that demand for guns was high, at least through last spring—in marked contrast to falling demand for other consumer goods such as autos, electronics and clothing during the recession.

### Loaded for bear

Various theories have been put forward for the apparent surge in firearms activity during the recession. One view is that perceptions of increased crime have driven up gun sales, while another theory attributes the sales spurt to worries over potential federal legislation limiting access to guns and ammunition. While these two explanations aren't mutually exclusive, there's more evidence for the latter view.

Curtis Bjorndahl, manager of Precision Tactical Firearms, a manufacturer of rifles and pistols in Billings, Mont., espouses the fear-of-crime theory. "Right before recessions, people tend to purchase weapons," he said.

However, the NICS data, which go back to 1998, only weakly support this idea. During the last recession in 2001, the number of background checks rose about 5 percent nationwide, and district states saw similar increases. That may or may not be significant; the NICS record

shows comparable increases in non-recession years as well.

One rough indicator of increased anxiety about crime is applications for permits to carry concealed handguns. People who seek to carry weapons are presumably concerned about personal assaults.

Counts of concealed-carry permits aren't available for all district states, but data for Montana and Minnesota show that more people in those states are packing heat. The number of permits issued by the state of Montana through October 2009 doubled compared with the same period in 2008, increasing the total number of permits by about 23 percent. Preliminary numbers for Minnesota through November indicate that permit applications have more than doubled from levels in recent years.

But an increase in concealed-carry permits doesn't necessarily mean that people are buying more guns and ammunition for home defense; some who already own guns may simply want to carry their weapons on their persons.

A stronger case can be made for the theory that consumers stocked up on weaponry because they were concerned about Second Amendment restrictions by a White House and Congress controlled by Democrats. The number of NICS background checks nationwide jumped 50 percent in November 2008, the month of the presidential election. Every district state saw an increase that month, ranging from 21 percent in Wisconsin to 46 percent in Minnesota.

But the slowdown in background checks since summer, both nationally and in the district, suggests that such concerns were transitory. Despite talk earlier this year about reinstating a ban on assault weapons, the Obama

administration hasn't taken steps to restrict gun or ammunition sales.

### Aiming for lower sales

At the height of the gun rush in late 2008 and early 2009, Mark Koscielski couldn't keep up with demand at his gun shop in south Minneapolis. "At one point, we had over 500 guns on back order," he said, attributing the spike in business to fear of gun control legislation and ammunition hoarding in response to spot shortages. But last fall, as the recession dragged on, sales fell. "Lately, business has been pretty poor," Koscielski said.

The falloff in sales at Koscielski's store—and the slowdown in NICS background checks last fall—may be due to the long recession and fading fears about government restrictions on firearms. Guns and bullets are discretionary purchases; many people hurt by the recession may have decided that they didn't need to buy a gun after all.

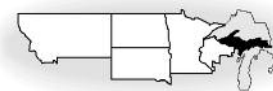
In a recovering economy, national gun sales, as measured by NICS background checks, are likely to settle down to prerecession levels—annual increases of about 3 percent to 5 percent. That is, unless the federal government mounts a gun control initiative, Koscielski observed; such a move could trigger another run on gun stores.

However, over the long term, gun and ammunition sales in the district are likely to fall because of demographic trends working against gun ownership. There are signs that participation in hunting—a major driver of gun sales—is on the wane. For example, firearm deer hunting licenses issued in Wisconsin for the 2009 season declined 12 percent through October, compared with the same period in 2008.

Particularly distressing for gun makers and dealers is a drop in the number of young hunters, who represent the future of the sport. A national survey by the U.S. Fish and Wildlife Service found that in 2006, only 4 percent of 18- to 24-year-olds hunted, compared with 14 percent in 1980. In Minnesota, the number of hunting licenses sold to people younger than 40 fell about 20 percent between 2000 and 2008.

"I think you're going to see a lot more campaigning trying to get more youth involved [in hunting]," said John Monson, owner of Bill's Gun Shop in Robbinsdale, Minn. "We're going to have to continue to do that, or we will lose volumes." **f**

### UPPER PENINSULA



### Another renewable on the energy menu

Marquette County got a shot in the arm when Cliffs Natural Resources gave final approval in mid-November for a renewable fuels plant that will convert wood and agricultural biomass into a combustible cube.

The plant will be housed in two converted aircraft hangars at Sawyer International Airport. Cliffs, the owner of two taconite mines in the Upper Peninsula, plans to spend about \$19 million to get the project running and hopes to have the plant operating by the middle of this year, according to local reports.

The plant is expected to produce about 150,000 tons of the biomass cube, which will have the same energy content as coal with significantly less pollution and will be produced from local feedstock. Even before the first briquette is produced, the Marquette Board of Light and Power agreed to purchase 60,000 tons to generate steam for energy production. Cliffs will also use some of the production at its mines.

The idea of burning wood for power is already well established in the state, which has six wood-burning power plants (all in lower Michigan) that produce one-third of the state's renewable energy, according to an industry group. More efforts are under way to encourage biomass energy. Last fall, biomass suppliers to a small electricity plant in L'Anse, in the north-central U.P., became eligible for federal subsidies to make the cost of gathering and transporting biomass more feasible.

### A close look at the Big Drink

For Michigan Tech University, this is the big one that didn't get away.

This past fall, the university received approval from the state Legislature to break ground on a new \$25 million, 49,000-square-foot building that will house the Great Lakes Research Center.

The center, located in the Keeweenaw Peninsula at the tip of the Upper Peninsula, will house a range of research facilities, including labs for fisheries, sediment processing and mass spectrometry (to sample and analyze sediment), hydrology, exotic species and meteorology. This diversity of research will allow the center to study a broad range of disciplines and pressing environmental issues in the Upper Great Lakes, including habitat destruction and invasive and native species.

—Ronald A. Wirtz