

**Keynote speech by Comptroller William C. Thompson, Jr.
Brooklyn Chamber of Commerce Annual Meeting
Tuesday, September 27, 2005**

It is my great pleasure to join you here today.

I would like to congratulate Brooklyn Chamber of Commerce Chairman Daniel Holt, President Kenneth Adams, and all of the Chamber members, on the occasion of your annual meeting.

I would also like to thank all of you for the important work you do on a year-round basis. The Chamber is a driving force of business life in the borough of Brooklyn. The role that the Chamber has played in the revitalization of Downtown Brooklyn, and in the renaissance taking place in communities throughout the borough, cannot be overstated.

Simply put, the Chamber does good business, and good business is good news for New York.

Today, I would like to say a few words about a topic that is very much on the minds of New York businesspeople: the state of our City's economy.

According to the Economic Notes that my office released last week, which addressed the 2nd Quarter of 2005, the overall news is positive.

I'm pleased to say that for the seventh consecutive quarter, we experienced growth in the economy, after 11 consecutive quarters of decline. Gross City Product grew faster than the nation's Gross Domestic Product for the second quarter in a row, with an annualized growth rate of 3.4 percent.

Looking at jobs, after losses of some 245,000 from our payroll employment peak of 3.76 million in January 2001, we rebounded by the end of the second quarter of 2005 to 3.58 million jobs.

This represents a gain of almost 65,000 jobs from a low point in August 2003.

The majority of second quarter gains were in the private sector. New York City had the 8th highest job growth of the twenty largest metro areas in the nation. The tourism industry was particularly robust, with an average daily hotel occupancy rate of 89 percent, the highest level since 1980.

There is also good news on the revenue side: on a year-over-year basis, personal income tax revenues rose 24.5 percent, and estimated tax payments on interest income, rental income and capital gains rose 42.6 percent.

Meanwhile, the commercial vacancy rate for the second quarter fell for the sixth consecutive quarter, to 9.8 percent, from the previous year's rate of 11.8 percent.

The City's three leading economic indicators -- the business conditions index, the number of building permits issued, and the help-wanted advertising index -- all showed improvement over the previous year.

Finally, unemployment is at its lowest since the second quarter of 2001, at 5.7 percent.

This represents a drop of nearly 3 percentage points since a peak of 8.5 percent in 2003, bringing total numbers down from 318,000 to 211,000.

Here in Brooklyn, the unemployment rate has been dropping as well, from a high of 9.8 percent January 2003 to 5.6 percent last month.

The borough's largest sectors – health care, social services, and retail trade – are thriving, and other industries are finding a warm welcome and new opportunities as well.

A perfect example of this is the Chambers “Brooklyn Designs” show, which showcased some of Brooklyn's brightest designers and manufacturers last May, bringing well-deserved attention to this important, growing sector. The Brooklyn real estate market has been gathering strength as well, and at a phenomenal rate. Between Fiscal Years 2004 and 2005, the total market value of real estate in the borough rose by 24 percent, the greatest increase of any borough.

The bottom line? New York City, and Brooklyn, are enjoying a period of economic prosperity, a trend that is particularly meaningful given the recent commemoration of the 9/11 attacks that devastated our economy and extended and deepened a recession that was already underway.

Nevertheless, we have several reasons to be cautious going into the future. First, we face an uncertain residential housing market. There is a very real possibility that the boom in housing we've all watched these past several years is in fact a bubble at risk of bursting.

Another reason for caution stems from rising inflation. The City's inflation rate for the second quarter outpaced the nation's in nine out of eleven categories, including housing, food and beverages, and apparel.

The price of energy in New York increased by 12 percent, and the devastation caused by Hurricanes Katrina and Rita has exacerbated fuel shortages and sent prices skyrocketing.

So the economy is doing well, but we can't afford to be complacent. Even a small downward turn in the economy can have a ripple effect on the life of our city. And, certainly, when it comes to balancing the municipal budget, we need to continue to our efforts to ensure that sufficient revenue is flowing into the City coffers.

One of my primary responsibilities as Comptroller is to examine the City's revenue sources and look for ways to improve collection. In doing so, my office has found that one problem that has a significant impact on the revenue stream is the proliferation of counterfeit goods.

Last fall, my office released a report showing that New York City is home to an estimated \$23 billion annual illegal counterfeiting industry. This thriving underground industry causes the City to lose more than \$1 billion in tax revenues each year.

Overall, we found that New York State and New York City lost a combined total of about \$2.6 billion in tax revenue in 2003 as a result of the sale of counterfeit goods. How does it add up? We found that the dollar exchange of the counterfeit goods trade in New York City during 2003 was about \$23 billion.

This activity cost the City about \$1.03 billion in lost tax revenue. That figure is comprised of 380 million dollars in unpaid New York City sales tax, 290 million dollars in business income tax, and 360 million dollars in personal income tax.

This represents revenue that could be used to build a new school, repair roads, or help small businesses grow.

The problem has an indirect impact as well: counterfeiting undermines the notion of fairness for those who pay taxes, and endangers the future prosperity of the city's businesses and creative community.

Isn't this a problem every municipality faces? Well, we are not alone in this, but New York City suffers from particularly a high volume of counterfeiting activity.

This is due to several factors, including the size of our population and the large number of visiting tourists, which generate high demand for both legal and counterfeit goods. Clearly, this is a problem that calls for action.

Today, I am pleased to announce the creation of a task force to help us address this critical issue.

I have called upon some of today's foremost thinkers and leaders in the business and government communities to help us explore ways to control the sale of counterfeit goods, and develop a comprehensive program to recover a significant portion of the lost tax revenue.

As part of this effort, the group will work to increase public awareness to make it easier for consumers to know when they are buying from legitimate street vendors and when they are purchasing illegal goods.

The first meeting of the task force will take place in November. We have additional information about the group here today; please feel free to take a press release and share the information with colleagues and your communities.

I have always believed that the best way to improve life in our city is to work in partnership with leaders in the business sector. For example, I have worked with many of you here today on numerous initiatives through the years, and I am proud of the work we've done together.

We know that by working together, we get the best results for our city. Let's continue our work in the spirit of partnership and with a shared vision for the future of New York.

Thank you, once again, for inviting me to join you today, and best wishes for an enjoyable and productive luncheon.

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