

GM Closure, Gulf Spill Create 'Perfect Storm' For La. Economy

Alan Sayre, Associated Press Writer

NEW ORLEANS (AP) — In the blink of an eye, the economic focus in Louisiana has shifted from recession recovery to avoiding actual and potential job losses piling up at a staggering rate.

And there's very little that the state can do: The tally is due to the Obama administration decisions affecting petroleum, defense and space — all coming together in a perfect storm.

For Louisiana, those sectors represent some of its best-paying jobs. Thousands are at risk — and the task of replacing them, at the same pay and in the same numbers in the foreseeable future, is shaping up as a pipe dream.

Last Tuesday, Northrop Grumman Corp., faced with tighter Pentagon spending and Obama administration priorities aimed at Afghanistan and away from the Navy, said it would shut its Avondale shipyard — the state's largest industrial employer with about 5,000 workers — in early 2013 after two military ships are finished.

Avondale already was the subject of concern, since the program to build amphibious assault vessels will end in 2016, but Northrop decided to build the last two vessels at Pascagoula, Miss.

Another source of misery is the deepwater petroleum drilling moratorium in the Gulf of Mexico. The six-month "pause" that the Obama administration insists on could kill the drilling business off the Louisiana coast for years, industry and government officials warn.

Of the 33 deepwater rigs in the Gulf when the Deepwater Horizon exploded, two found new long-term homes in Egypt and off the coast of Africa within a week — just as the industry promised would happen.

Louisiana State University economist James Richardson said a six-month moratorium could slash 18,000 to 20,000 jobs. With that prediction, consider that the entire state, at the lowest point of the post-2008 economic meltdown, had lost about 49,000 jobs.

On top of that, Treasurer John Kennedy says about a third of the state's \$210 billion annual economy is tied to petroleum in one form or another.

The oil spill already has had a well-documented effect on fishing and tourism along the coast. Quantifying a number is difficult — the first state jobs report since the moratorium and the full arrival of the spill is due out July 23 — but state officials

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already have warned that it won't be pretty.

Then there's the end of the space shuttle program. Earlier this month, the last external fuel tank expected to fly rolled out of the Lockheed Martin Corp. operation at the NASA Michoud Assembly Facility in New Orleans. By the end of September, only about 200 workers will still be around from a payroll of 2,700 in 2008 and 5,000 during the mid-1980s.

There's not much in sight for NASA either: The Constellation space program, which was being counted on for 1,900 jobs at Michoud, is the target of an Obama budget cut, though Congress will have to go along.

We're not talking about minimum-wage jobs. Louisiana's annual median income is about \$28,000. Shipbuilders in southeastern Louisiana take in an average \$43,000. Many jobs in petroleum and the space program soar into the hundreds of thousands of dollars.

The administration of Gov. Bobby Jindal has been courting new business, and, according to the administration's count, secured commitments last year to retain 7,900 jobs and eventually create up to 21,400 new positions.

But all of the long-term recruitment in the world won't block this funnel: As an example, just hours before Northrop Grumman dropped the bomb on Avondale, Jindal announced that a satellite telephone provider, Globalstar Inc., would move its headquarters to Covington — with 490 jobs by 2018.

The state says it is working to find new business for Michoud, as well as the General Motors Co. plant in Shreveport that will be shuttered by mid-2012. Now added to that list is Avondale. The state's congressional delegation is lobbying for new Navy business for the shipyard — and some members are pushing to save the Constellation program.

But politics aside, what are the chances Louisiana's economy can avoid a long-term flight due south?

"There is a national trend that most of the growth is in small businesses," said University of New Orleans economist Janet Speyer said. "When we lose a large business, we cannot necessarily expect to replace their employees."

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