

Headline: Region braces for economic impact of Avondale closure
Date: 7/13/2010 12:00:00 AM
Media Contact: Staff, CityBusiness
Media Outlet: New Orleans City Business

The New Orleans region is confronting the loss of several thousands jobs in the wake of Northrop Grumman's announcement that it will shutter its Avondale shipbuilding facility in 2013.

CEO Wes Bush said Tuesday that it plans to consolidate the company's Gulf Coast operations at its shipyard in Pascagoula, Miss. While some of Avondale's 4,700 employees will be given the opportunity to transfer, Northrop Grumman did not specify how many workers will be retained or eliminated once the Navy's order for San Antonio-class LPD ships is complete.

Avondale, where is the last of the giant shipyards and the government is to blame for its loss, said Ray Fuenzalida, one of the directors-at-large for the Harvey Canal Ltd. Partnership and an active member in the area's industrial association. His business interests have operated in proximity to the Northrop Grumman facility.

"Avondale is only doing government work and the government has decided not to continue with this (LPD) class of vessel. So Avondale has nothing to do. I don't like Obama but he's not 100 percent to blame for this. It's been happening for 20 years."

Instead of billion-dollar ships that take five years and 5,000 people to build, the only work left will be \$100 million ships that take two years to build and employ 500 people, Fuenzalida said.

A solution he suggests is increasing the opportunity for domestic shipyards to build more industrial vessels.

"We need to reduce regulations, pass legislation that limits liability and create opportunities for a shipyard here to bid on an oil tanker that they'll build in Korea because it's half the price," he said. "Until that happens, we don't stand a chance. This can be reversed, but I don't see it happening under this administration. It would involve a sea change in attitude."

Realtors worry

Among the expected ripple effects of Avondale's closure is the impact on real estate sales.

"It's pretty scary," Keller Williams West Bank CEO and team leader Renee Ferrera said. "It's going to have a serious impact."

Ferrera said housing prices are likely to decline as the largest single employer on the West Bank winds down its activities.

"Those people own homes and they're probably going to sell them eventually," Ferrera said, adding there will be too much supply and no enough demand.

Residential real estate prices have already been slumping on the West Bank. The figures from the New Orleans Metropolitan Association of Realtors show the average home selling price in West Jefferson in June fell by 14.4 percent to \$125,402 when compared with the comparable month in 2009.

The shipyard's closure will only compound problems issues the local real estate industry is already facing, including the negative perception the BP oil spill has cast on the area.

"Something needs to happen," Ferrera said. "Whether the cap fits or a new company takes over the Avondale shipyard, something needs to come to fruition."

The possibility of a new owner at Avondale may lead some of the work force to stick around, said Marty Meyer, president and CEO of Stirling Properties. But with its future unknown, real estate activity is likely to stall.

"For the time being it puts kind of paralysis effect on market," Mayer said. "We won't see as many transactions because people won't feel comfortable with their jobs."

In addition to its Avondale yard, Northrop Grumman also plans to close smaller yards in nearby Waggaman and at Tallulah in Northeast Louisiana. Ultimately, the company could leave the shipbuilding business completely as alluded to in the release it issued Tuesday announcing Avondale's closure.

The release states the company is exploring "strategic alternatives" for its "entire shipbuilding business," which includes a submarine and aircraft carrier yard in Newport News, Va.

Staff Writers David Muller and Richard A. Webster contributed to this report.

Copyright © 2010 ProQuest Information and Learning Company; All Rights Reserved.