

Pascagoula, Mississippi

Pascagoula Aims to Stay Shipshape

If Mississippi has an industrial heartland, it's at the southern end of the state.

There lies Pascagoula, home to Mississippi's largest private employer, Northrop Grumman Shipbuilding's Ingalls Operation. The shipyard's workforce of more than 12,000 anchors an economy grounded in heavy industry.

Manufacturing accounts for an extraordinarily high 30 percent of nonfarm employment in the Pascagoula metropolitan area, according to the U.S. Bureau of Labor Statistics (BLS). That share is more than triple the share of national employment that is factory jobs and more than double the percentage throughout Mississippi.

Most of Pascagoula's 16,400 manufacturing jobs are at Northrop Grumman and Chevron's largest U.S. oil refinery, which employs 1,640 people. "Those two are the linchpins that hold the economy together here in Pascagoula," said Mayor Robbie Maxwell, a Pascagoula native. "When somebody sneezes at Northrop Grumman, everybody tenses up."

They are not tensing up much lately, the mayor said. On the contrary, Pascagoula's manufacturing base was a bedrock through the recent recession. Pascagoula's manufacturing employment was 4 percent higher in March 2010 than 12 months earlier, BLS figures show. Most of the area's job losses during the economic downturn were construction related, according to

Moody's Economy.com. Unemployment in metro Pascagoula peaked at 11.2 percent in January and fell to 10.3 percent in March, compared with 9.7 percent nationally.

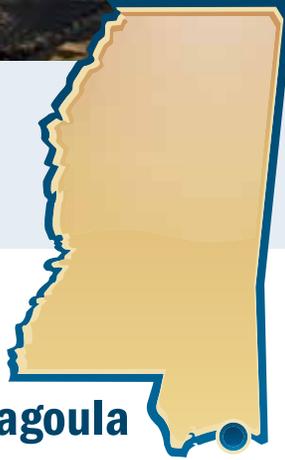
Shoring up homes, businesses

The bigger concerns in Pascagoula are the cost of homeowners' insurance after Hurricane Katrina and expanding the retail base. (Pascagoula officials were also worried about the Gulf oil spill, but the full economic impact of the spill was not known as *EconSouth* went to press.) "This insurance thing," Maxwell said, is Pascagoula's biggest economic obstacle. "If we can solve this problem, then we're poised to do great things."

Skyrocketing homeowners' premiums have discouraged some post-Katrina rebuilding. Carla Todd, president of the Jackson County Chamber of Commerce, said annual premiums on her Pascagoula River home rose from \$2,300 to \$5,000. And, she said, her home suffered no water damage in the hurricane. A group of local businesspeople have even raised their own fund to insure 1,000 homes as a pilot project, Maxwell said.

On the retail front, the mayor and city government are recruiting private-sector partners for a couple of ambitious projects. Downtown, the city has razed derelict warehouses and started building a parking deck on a site with 850 feet of Pascagoula River frontage. Permit issuance, streets, and other infrastructure are in place, but firm development plans are not. Maxwell envisions retail space, a hotel, and a restaurant on the site where diners would sip cocktails and watch the sun set over the water.

He and the city also have designs on land a few miles upriver. The city is pursuing private partners and grant money to build a marina, maritime museum, condos, and pathways through the marsh on Lowry Island. The city would lease the land from the state. City leaders hope the proposed Lowry Island project will showcase the decommissioned 567-foot warship Ticonderoga, which was built in



Pascagoula

Pascagoula, Miss.

Population	20,164
Jackson County population	129,619
Median household income	\$39,600
Median owner-occupied home value	\$113,300

Source: U.S. Census Bureau, 2008 American Community Survey

Pascagoula in 1980. That project could be a long shot, though, given the high cost of towing the ship from the Philadelphia Navy Yard and installing it in Pascagoula, Maxwell said.

Company town: A city built on shipbuilding

Ships have been to Pascagoula what cars once were to Detroit. Likewise, the city's reliance on Northrop Grumman in particular and shipbuilding in general could have drawbacks. Along with Northrop Grumman, two other builders of ships and offshore oil and gas rigs—Signal International LLC and V.T. Halter Marine Inc.—rank among metro Pascagoula's seven biggest employers. The focus on a single industry could keep other types of companies out, according to a report on Pascagoula's economy by Nathan Topper of Moody's Economy.com. He notes that the area's "industrial diversity is already among the lowest in the nation."

That absence of diversity is all right with the mayor and Todd. Maritime construction has supplied thousands of good jobs in south Mississippi for decades, they

pointed out. What's more, stable manufacturing employment helped Pascagoula companies withstand the recession, as business bankruptcies did not rise much in 2009, Topper wrote.

As industries go, you could do worse than shipbuilding and Northrop Grumman. In Pascagoula, the huge defense contractor builds surface ships for the U.S. Navy, and the order book is stuffed, according to the company. Northrop Grumman Shipbuilding's revenue and operating income in the first quarter of 2010 were up 21 percent and 26 percent, respectively, from the same period a year earlier. Moreover, the shipyard's union contract runs through 2012, so there won't soon be a repeat of the monthlong strike that took place in 2007.

The shipyard has two Navy destroyers under construction and was awarded a "long lead time material contract" in December 2009 to restart work on another class of destroyers, according to Northrop Grumman's first-quarter 2010 report filed with the U.S. Securities and Exchange Commission. The company noted in that document that it figures U.S. defense spending will remain high amid the nation's "multi-front, multi-decade struggle" against terrorists.

Northrop Grumman's shipyard has deep roots in Pascagoula. It began as Ingalls Shipbuilding Corp. in 1938.

Ingalls was acquired in 1961 by Litton Industries, which Northrop Grumman bought in 2001. The shipyard flourished building ships for the Navy during World War II and helped draw many residents to Pascagoula. Before the war, it was a fishing village of 5,000 people. Today, the city's population is more than four times that size, and the metropolitan area exceeds 150,000. The Northrop Grumman shipyard has for many years been Mississippi's biggest private employer, but its current workforce is about half its mid-1970s peak of 25,000.

Pascagoula is the Mississippi Gulf Coast's manufacturing center, located next to Biloxi-Gulfport's casinos and military bases. People have been building ships there for about 300 years. A look at a map makes it obvious that water is Pascagoula's lifeline. In addition to shipbuilding and energy, another core economic component is the Port of Pascagoula, the nation's 23rd busiest seaport in terms of cargo volume in 2008, according to the American Association of Port Authorities. The city's retail development plans are likewise focused on its riverfront, and the U.S. Army Corps of Engineers recently pumped in sand to restore a mile-and-a-half beach along the Gulf of Mexico.

"We want to build on our strength," Maxwell said, "and that is the water." ■

This article was written by Charles Davidson, a staff writer for EconSouth.