

Executive Summary


The fifth round of the Base Realignment and Closure (BRAC) Act is well underway, and everyone in the Seacoast Region of New Hampshire and in Southern Maine is concerned that the Portsmouth Naval Shipyard might be included on the list to be released by the Secretary of Defense in mid-May. The Yard survived a closure order in the mid-sixties, as well as four rounds of BRAC. The area has not gone unscathed as Pease Air Force Base fell victim to the first round of BRAC. History has shown the shipyard's ability to change its focus in order to be in alignment with the needs of the Navy. But it is beyond our means to predict the outcome of the BRAC 2005 process.

The Shipyard has been an important economic player in the regional economy. It contributes more than 4,800 civilian jobs and more than 800 military positions to the region. The total civilian payroll was \$318,329,729; of which \$122,635,908 was paid to New Hampshire residents. In addition the shipyard spent \$5,817,322 on purchased goods and services in New Hampshire and Maine as well as \$46,418,335 on contracted facility services (utilities and maintenance/alteration/support).

The following analysis estimates the impact on New Hampshire alone, and, beyond the initial direct loss of military and civilian employment, does not include effects on Maine, the other state that would be greatly affected by a closure. The total regional effect would be a multiple of the effects, on New Hampshire alone, that are presented here.

Despite the name, Portsmouth Naval Shipyard, this shipyard is located in Kittery, Maine. Since most of the jobs are physically located in Maine (jobs by place of establishment), the closure of the Shipyard would have an immediate direct effect on the number of jobs in Maine. However, 39 percent of its civilian employees commute to the Shipyard from cities and towns in New Hampshire. The wages from these commuters are included in the New Hampshire economy, and the secondary effects following a closure would significantly reduce jobs and income in New Hampshire.





Compared to the baseline forecasts in the New Hampshire Econometric Model, a closure of the PNS would result in the following:

- A direct loss of 800 military positions and 27 civilian positions in New Hampshire. (The Department of Defense reports the military contingent of the yard as if it were in New Hampshire.)
- \$122,635,908 in lost wages paid to PSN civilian employees residing in New Hampshire. Of these New Hampshire wages, 61 percent are from Strafford County and 33 percent are from Rockingham County. In 2004, New Hampshire residents held 1,878 civilian positions at PNS.
- 1,219 jobs lost in the secondary effects of a PNS closure. The secondary effects would be caused by a decrease in purchasing power (due to the loss of the PNS wages), the loss of expenditures on local goods and services purchased by PNS, as well as the loss of facility services contracted by PNS.
- New Hampshire civilian jobs will remain at least 900 below the projected growth for the duration of the simulation, statewide.
- Gross Regional (or State) Product (GRP) in New Hampshire would fall \$133.8 million below the baseline in the first year and remain \$128.7 million below the baseline by 2021.
- Wage and salary disbursements linked to secondary effect job declines in New Hampshire would initially suffer losses of \$71.5 million, expanding to a loss of \$106.3 million by 2021.
- Wages in Strafford County would be hit the hardest. The average annual wage rate would be lowered by \$123.51 in nominal dollars by 2010, the bottom of the trough. The effects on the average annual wage rate are smaller at the statewide level, but it would take New Hampshire until 2019 to get back to the pre-closing wage level.
- New Hampshire would lose \$14.8 million in state and local revenues in the first year after closure, while state and local expenditures would be reduced by \$4.4 million. This would result in a net loss of \$10.4 million in state and local government finances.
- Sales, office and administrative occupations compose the occupational group most affected by the secondary effects of the closure. By 2021 only about half of the jobs lost would be recouped.
- By 2021 the State's population will have shrunk by 3,780.

- Unemployment in New Hampshire would rise by at least 2,700 persons, with the unemployment rate rising by about 0.5 percent. Since most of the unemployment would occur in the Portsmouth-Rochester area, that area's unemployment rate would increase much more.

If the Portsmouth Naval Shipyard were to close, the opportunity for reemployment as skilled shipbuilding workers in New Hampshire, and nearby Maine and Massachusetts, would be very limited.

The shipyard has a high concentration of workers in the following major occupational groups (Standard Occupational Code - SOC):

- 17-0000 Architecture and Engineering Occupations - 1,018 positions
- 51-0000 Production Occupations - 924 positions
- 49-0000 Installation, Maintenance, and Repair Occupations - 741 positions
- 47-0000 Construction and Extraction Occupations - 691 positions

This is especially a problem as the shipyard has a high concentration of employees in certain occupations not common in the region otherwise, such as *Riggers*, *Nuclear engineers*, and *Lay-out workers (metal)*. The impact of the PNS closure, at the personal level, would be quite devastating, as individuals may have difficulties maintaining current income levels and finding jobs matching their skills. The average annual pay at the PNS is about \$65,000, a wage level substantially higher than average 2003 annual pay for all private covered employment in New Hampshire or in Rockingham County. A large portion of the shipyard employees are either highly skilled or have attained a high level of education. If workers with high levels of educational attainment seek employment in other parts of the nation, the state will lose valuable human capital as these workers migrate from New Hampshire.

For the purpose of modeling we assumed that no other major employer would enter the region and absorb some of the excess labor force. If that were to occur, the economy would tend to move back toward equilibrium. Depending on how much employment would be absorbed, the economy would recover, accordingly. In any case, the recovery period and jobs replacement would likely be a long and protracted one, especially in light of the slow recoveries experienced by other areas whose naval bases have already been closed.