Mobile

Ships, airplanes, and steel dominated development news in the Mobile metro during 2012. Total non-farm employment climbed by 4,000 between January and October 2012 to reach 177,000. There were 2,200 more jobs in the area in October 2012 than there were a year earlier, however, 8,000 more are needed to bring employment back up to its level five years ago. Most of the jobs added during the 12 months ending in October came from Mobile’s natural resources, mining, and construction as well as transportation and warehousing, financial activity, healthcare, and leisure and hospitality businesses.

The number of employed Mobile residents climbed by 3,320 during the same period, for a 1.9 percent gain that was the largest of the state’s 11 metros. A slightly smaller increase of about 1,950 in the labor force helped bring the area’s unemployment down from 9.5 percent to 8.7 percent in October 2012. An estimated 29.9 percent of Mobile area workers were underemployed in 2011, according to a Center for Business and Economic Research (CBER) survey, highest among the metro areas. Applying this rate to October 2012 labor force data, Mobile had an estimated 52,908 underemployed workers which, combined with 16,884 residents who were unemployed in October, shows an available labor pool of around 69,800—an encouraging number of potential workers for businesses that are new to the area or expanding.

Mobile area business optimism, measured by CBER’s Alabama Business Confidence Index™ (ABCI) was below the state average throughout the first three quarters of 2012, with sentiment in the first and third quarters indicating a slowdown in local economic activity. Area confidence got a clear boost from the Airbus announcement, however, with the fourth quarter 2012 Mobile ABCI at 51.0, 2.7 points above the reading statewide. Despite pessimism about the U.S. economy, Mobile business executives were optimistic about prospects for the state and their industry in the fourth quarter. CBER forecasts relatively strong employment growth of 1.3 percent for the Mobile area in 2013, with GDP increasing 2.0 percent.

Although the future looks bright for Mobile’s manufacturing industry, the sector as a whole shed 300 jobs during the past year. Job growth late in 2012 and in 2013 is likely to be driven by the area’s shipbuilders. Austal USA, Mobile’s largest industrial employer with around 3,000 workers late in 2012, plans to hire at least 1,000 during the next 12 to 18 months to fulfill its government contract obligations and other project work; employment could rise to 4,600 by 2016. Mobile’s Maritime Training Center is an important resource for workforce development for area shipbuilders and related industries—half of the facility is dedicated to Austal and the other half is used generally by Alabama Industrial Development Training. Fifteen employees graduated from Austal’s four-year apprentice-ship program in August. During 2012 the company completed Phase 2 of its Module Manufacturing Facility office complex and fifth assembly bay, a $200 million project, as well as the $5 million Navy Administration Building that provides office space for Navy and other government workers at the shipyard.

Austal, teamed with General Dynamics Advanced Information Systems, is currently under contract with the U.S. Navy for 10 JHSVs under a $1.6 billion contract and for five LCS, four of which are under a 10-ship, $3.5 billion contract. Planned defense spending cuts would reduce the LCS program modestly, but could end the JHSV program after the first 10 Austal-built ships. The company’s second LCS, the USS Coronado, was christened early in 2012 and completed systems and engine tests, with delivery planned for early in 2013. Construction is also underway on the USS Jackson, to be delivered in 2014, with the USS Montgomery in preproduction; a subsequent LCS will be named the USS Gabrielle Giffords. An important milestone was reached in the JHSV program with the December delivery of the first ship, the USNS Spearhead, to the U.S. Navy, completing a project that began in December 2009. Construction is underway on the second and third JHSV, with the USNS Choctaw County scheduled for delivery to the Navy in 2013.

Mobile’s BAE Systems Southeast Shipyards also saw strong business growth during 2012. Working with Austal, the company finished repair and maintenance of the Sea Fighter U.S. Navy research vessel. BAE launched the chemical tanker, American

The underemployment rate is based on 2011 underemployment data collected by The University of Alabama’s Center for Business and Economic Research. Applying this rate to October 2012 labor force data results in an estimated number of employed residents who were underemployed. Totaling unemployed and underemployed residents gives a more realistic measure of the available labor pool in a metro area. Prospective employers must be able to offer the underemployed higher wages, better benefits or terms of employment, or some other incentives to induce them to change jobs.
Phoenix, built with Mid-Ocean Tanker Company, in June and began construction of the MV Magdalen, a trailing suction hopper dredge for Weeks Marine that is slated for completion in 2014. A mid-2012 contract with Great Lakes Dredge and Dock for two dump scows was followed by a contract with GulfMark Americas for two platform supply vessels. Employment at BAE, which stood at around 650 early in 2012, was up to 830 in September, with plans to hire 125 by year-end; the company expects strong employment growth in 2013. Several ship-builders worked on projects for the U.S. Army Corps of Engineers—Signal International was adding about 100 employees for work on a $15.9 million contract to repair a hopper dredge, while Bayou La Batre’s Horizon Shipbuilding completed an inland river tug.

Looking out a few years, Mobile’s burgeoning aerospace industry will be a major contributor to manufacturing job growth. With Airbus’ July 2nd announcement of a $600 million aircraft manufacturing plant that will employ 1,000, Mobile finally reaped the benefits of the groundwork which was laid several years earlier with EADS in pursuit of the Air Force refueling tanker contract. Airbus officials cite Mobile’s deepwater port in close proximity to the airport and other infrastructure as key factors in their decision. The facility will be built at Brookley Aeroplex, which is already home to about 200 Airbus employees at an aircraft engineering center. Groundbreaking for the plant is tentatively scheduled for April 2013, with construction contracts awarded early in the summer; construction employment could reach 3,600. Assembly of the A320 aircraft family will get underway in 2015, with the first planes delivered in 2016; production should be up to 40 to 50 aircraft per year by 2018, or around 4 planes a month. Airbus’ employment ad for a Director of Human Resources was posted in November; AIDT is partnering in a dedicated, but not exclusive, Airbus training facility and a tailored curriculum at Brookley.

Of course, the aviation and aerospace industry is not new to Mobile and the Gulf Coast; the I-10 aerospace corridor, stretching from New Orleans to Panama City, was the third highest area in the U.S. in 2010 aerospace and defense revenues. Brookley Aeroplex houses ST Aerospace Mobile, one of the area’s largest manufacturing companies with about 1,500 employees and aircraft mechanics and avionics training is offered at Brookley’s Alabama Aviation Center. With the Airbus plant a certainty, local and state development officials have been busy courting potential suppliers at events like the ILA Berlin Air Show and the 2012 Aviation forum in Hamburg.

However, supply chains in the aerospace sector are more dispersed than in the auto industry and develop more slowly, so the immediate supplier impact will likely be smaller; there could be an estimated 2,000 indirect jobs created by 2016. Indications are that about four to six integral service providers would locate on the Airbus site at Brookley, with other critical suppliers also at Brookley, but not on the site. A ring of suppliers within around 100 miles is likely, as warehousing may not be available onsite. An outer band of companies supplying the suppliers could fall within a 100 to 300 mile radius. The numbers of suppliers should continue to grow as the plant’s rate of production increases from around four planes per month to eight planes at full capacity.

Airbus, which already has an existing supplier base and operational models from other U.S. facilities, including EADS subsidiary American Eurocopter in Columbus, Mississippi, is sensitive to concerns among existing aerospace firms in the Mobile area that they will lose their trained workers to higher paying jobs. The company hopes to grow the aviation workforce overall and see new opportunities created for existing companies. Wages at Airbus could average $43,700 for skilled laborers and $72,600 for management and engineers. Partnerships between existing area aerospace companies and European Tier 2 or 3 suppliers could benefit both groups. Airbus also raised the prospect of forging supplier relationships with existing auto suppliers, helping them navigate the rigorous process required to obtain aerospace supplier certification. AIDT has pledged to help companies that lose 10 or more workers to Airbus rehire.

The challenge generally will be to provide enough workers with the skills needed through workforce training initiatives. Growing aerospace employment will encourage cooperative programs for aerospace education, such as the Aerospace and Aviation Academy recently implemented at B.C. Rain High School near Brookley in partnership with Enterprise-Ozark Community College. Baldwin County is setting up an aviation education center as a partnership between Fairhope, Faulkner State and Enterprise State community colleges, and the Baldwin County EDA. The new plant will enhance the existing relation between the University of South Alabama’s College of Engineering and Airbus, providing opportunities for graduates to stay in Mobile and work in their field.

Development news was mixed in Mobile’s steel producing industry during 2012. SSAB brought a close to $300 million expansion online, creating 120 new jobs with increased capacity for quenched and tempered steel. ThyssenKrupp Stainless USA opened
its melt shop in December; employment stood at
about 750 in the fall. A $3.5 billion divesture of the
stainless unit, which was renamed Inoxum, to Finnish
steelmaker Outokumpu Oyj won European
Commission approval in November and was expected
to close by year-end. Citing a weak international
market and cost overruns and delays at its carbon steel
plants in Calvert and Rio de Janeiro, Brazil,
ThyssenKrupp decided to shut both plants up for sale,
while maintaining ongoing operations. However, in
August ThyssenKrupp eliminated 197 of the 1,653
workers at the Calvert facility. Initial offers from seven
steel producers fell far short of the $9 billion book value
that ThyssenKrupp hoped to recover from its $15
billion investment in the two plants and prompted a
call for new offers.

Several projects were undertaken to serve
ThyssenKrupp during 2012, including Heidtman Steel
Products $18.5 million steel slitting facility onsite; Tube
City IMS, with a $23 million investment providing 68
jobs in melt shop scrap services for the stainless
division; and Kloeckner Metals $18 million steel
processing plant that will create 32 jobs. Other Mobile
area industrial developments included a $6 million
investment by Aker Solutions that increased
production of umbilicals and created 25 new jobs.
UOP LLC, a Honeywell company, is investing in a $20
million expansion to produce absorbents and catalysts,
while AMVAC Chemicals added 60 jobs in 2012,
including 10 for production of a new cotton defoliant—
a $9.9 million expansion at AMVAC announced in
August will create 21 additional positions. Taylor-
Wharton’s new $6 million cryogenics manufacturing
facility will create an initial 15 jobs. And resin
manufacturer Huntsman Americas is in the midst of a
$40 million expansion that will add 35 jobs.

Investments by the Alabama State Port Authority
continued to pay dividends in 2012 and saw the
Authority turning a profit after two years in the red.
Infrastructure investment of over $340 million at APM
Terminals Mobile over the last several years created a
45-foot channel and turning basin for ships as long as
1200 feet, enabling an increasing number of post-
Panamax ships to call at the facility in 2012. A new
container service by Mediterranean Shipping now
provides weekly direct call service to and from north
European ports. Volumes of steel products handled by
the Port Authority have increased substantially as
ThyssenKrupp production ramps up. Coal industry
export capacity at the Port of Mobile will increase this
spring with completion of a $12 million upgrade of
McDuffie Coal Terminal. Walter Energy’s $100 million
conversion of a former steel import facility at the Port
of Mobile for coal exports will create 50 jobs in
conjunction with its Tuscaloosa County energy project
in 2017.

A $12 million U.S. Department of Transportation
grant and matching funds from the Alabama State Port
Authority got work started on the $31 million Phase 1
of the Garrows Bend Intermodal Container Transfer
Facility that will connect containerized imports and
exports from the Port of Mobile to major rail lines,
creating over 300 jobs in logistics, handling, trucking,
and rail work. An oil unloading terminal for Arc
Terminals LP in partnership with the Canadian National
Railway will begin operation in Mobile in June 2013.
International Shipholding, headquartered in Mobile,
undertook steps to improve its business position,
including buying and selling several ships and acquiring
U.S. Ocean Services LLC in a $111 million deal.

Although data indicate that area tourism has
completely recovered from the April 2010 BP
Deepwater Horizon oil spill, Mobile County’s coastal
seafood industry is still struggling. Sales were down
about 10 percent in the two years following the spill to
$146 million. But before that time, hurricanes, high
fuel prices, and foreign competition had already put
the industry in jeopardy. Hope is resting on a $5
million marketing campaign coordinated by the
Alabama Seafood Marketing Commission to promote
seafood from the Gulf as a healthy choice. Mobile’s
former Sara Lee bakery closed in May, idling 90
workers.

Mobile’s services sector added around 500
employees between October 2011 and October 2012
and accounted for 40.4 percent of area jobs.
Healthcare and social assistance employment grew by
200, while leisure and hospitality businesses created
300 jobs. Although professional and business services
shed 100 positions overall, Alorica’s new call center
that opened in March in west Mobile hired 200
workers and the company’s Saraland location added to
its workforce. Mobile continued to investigate
prospects to fill the void left by the abrupt departure
of Carnival Cruise Lines in October 2011 and to pay on
the $22 million owed on the Alabama Cruise Terminal
that was previously funded from parking revenues.
The nearby $52 million GulfQuest National Maritime
Museum, set to open in 2013, could help recruiting
efforts. Large-scale events such as Mardi Gras, Bay
Fest, the GoDaddy.com Bowl, and the Senior Bowl
provide significant tourism revenue. Mobile’s
Convention and Visitor’s Bureau launched its “Mobile
Bay—Secretly Awesome” campaign in the fall.

Businesses in Mobile’s financial activities sector
saw a net gain of around 200 jobs during the past year.
However, deposits in FDIC-insured institutions, which accounted for 7.1 percent of all deposits statewide, fell 0.9 percent during the year ending June 30, 2012. The University of South Alabama’s Mitchell Cancer Institute received a number of new NIH research grants as it strives to gain National Cancer Institute designation. A $1 million federal grant will fund students in the Department of Physician Assistant Studies, with emphasis on retraining veterans as physician assistants. Shelby Hall, housing the university’s College of Engineering and School of Computing, was dedicated in the fall. Although state government employment was flat, federal and local government entities saw employment fall slightly during the 12 months ending in October.

In area retail developments, construction progressed on two Publix Supermarkets, with stores at Airport and University Boulevards and in the Hillwood Plaza set to open in summer 2013. Bel Air Mall added Versa Accessories and Maurice’s. Other retail store openings during the year included Kelsey’s Bargain Town in the Victoria Place Shopping Center, Zeal Boutique in the Schillinger Place Shopping Center, and Raven’s Nook on Airport Boulevard. Academy Sports & Outdoors will anchor the new Westgate Pavilion on Airport Boulevard; Walgreens purchased land for a store at Spring Hill Avenue and Mobile Infirmary Boulevard; and Dollar General stores are planned for Moffett Road and Bayou La Batre. New restaurants included Pita Pit, Fuji San, and LoDa Bier Garden in downtown Mobile; other areas saw a mix of casual dining and dessert and yogurt shops.

Housing sector indicators were mixed, with the number of homes sold up a modest 4.0 percent in 2012 compared to 2011, but single-family home building permits for the first nine months of the year down slightly and multi-family housing units permitted only about half the number for the same period in 2011. Average home prices in the third quarter of 2012, measured by the FHFA House Price Index, were 3.5 percent below third quarter 2011 and still 15.2 percent lower than five years earlier. Multi-family development during 2012 included the Gardens at Wellington, a 51-apartment independent living facility; the 92-unit Hallmark at Mobile complex; conversion of an old Army barracks in downtown added 16 units. Volume builder D.R. Horton bought lots and undeveloped acreage in Longleaf Gates in June and development could pick up with optimism surrounding the Airbus announcement and strong growth in the shipbuilding industry. 2013 will also see rebuilding activity as the cities of Mobile and Prichard recover from the tornado destruction that occurred on Christmas Day. Mobile’s historic Murphy High School, housing in the Spring Hill Avenue vicinity, and midtown Mobile’s business and medical districts were among the areas damaged.

Population in the Mobile metro, which grew 3.3 percent between 2000 and 2010, fell by a slight 0.1 percent during the year ending July 1, 2011. Airbus and related companies should provide a boost to Mobile area income levels. At $39,190 in 2011, the average wage for all industries was just above the state average and ranked third among the 11 metros. But 2011 per capita income of $32,779 fell below Alabama’s $34,880 and FY2012 median family income amounted to a well below-average $51,900.