

Special Report: Navy to Transfer Ships

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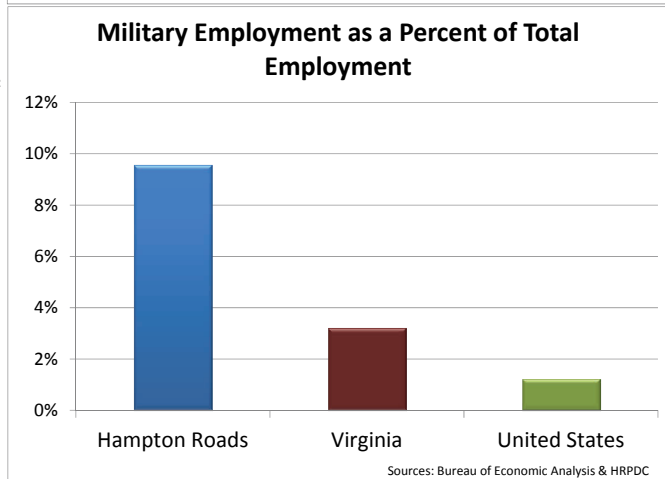
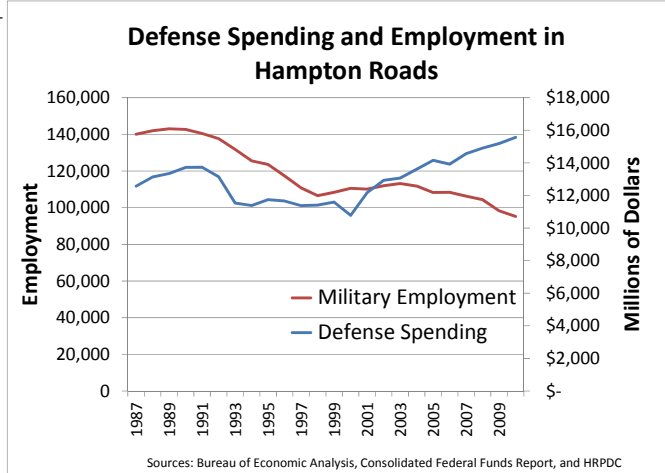
Hampton Roads is globally known as a military bastion. The region's natural and strategic advantages have resulted in a large concentration of defense employment and infrastructure. Cost savings associated with co-location, resulting from economies of scale and of scope, have provided incentives for the Department of Defense (DoD) to further concentrate investment in the region. Due to the immense size of the DoD footprint in Hampton Roads, defense expenditures constitute a vital part of the region's economy.

Over the past decade, defense employment within the region has been contracting. Currently, there are just under 95,000 military personnel in Hampton Roads, constituting 9.6% of the region's employment. In spite of the loss in DoD personnel, Hampton Roads has benefitted from increasing expenditures in the region primarily due to increases in procurement spending. As defense spending and austerity measures are ever-present in the national spotlight, special attention must be paid to policies that impact regional defense expenditures during this period of delicate recovery.

On June 15, 2012, Secretary of the Navy Ray Mabus announced an accelerated timeline for the relocation of three navy ships from Hampton Roads to Mayport, Florida. According to the Navy release, the USS New York will transfer to Mayport in the last quarter of 2013, followed by the USS Iwo Jima and USS Fort McHenry, which will transfer in 2014.

While these three battle force ships represent only a fraction of the Navy's presence in Hampton Roads, the economic loss remains significant. According to Secretary Mabus, the transfer of ships will bring \$75 million in maintenance and repair work to Mayport, a direct reduction from the ship repair industry in Hampton Roads. The direct loss of crew (1,847 total for the three ships) combined with the indirect and induced impacts will result in a net employment loss of approximately 5,220 and a \$590 million decrease to Hampton Roads' gross regional product.

Future Navy plans affecting Hampton Roads include the movement of six guided missile destroyers each with a crew of 276 (three to Mayport and three to Rota, Spain), eight coastal patrol crafts each with a crew of 28 (to Mayport and Bahrain), and the decommissioning of the cruiser, USS Anzio. Navy plans also include two existing ships coming to the region, a cruiser (crew of 364) from Mayport, and a hospital ship from Baltimore (crew of 80), as well as an undetermined number of new construction ships.



According to the Navy's CNRMA report, there are currently 112 ships/submarines homeported in Hampton Roads, including 36 harbor security boats and 76 battle force ships. The number of battle force ships in the region will be reduced by three over the next two years when the transfer takes affect.

The crew aboard the 3 ships that will be transferred to Florida represent 2.1% of the region's Navy personnel

Ship	Crew*	Total Loss in Employment**	Decrease in Personal Income**	Decrease in Gross Regional Product**
USS Iwo Jima	1,070	3,020	\$227,250,000	\$342,250,000
USS Fort McHenry	417	1,180	\$88,580,000	\$133,380,000
USS New York	360	1,020	\$76,470,000	\$115,150,000
Totals	1,847	5,220	\$392,300,000	\$590,780,000

*Source: HRMFFA **Source: HRPDC Analysis

‡Information on future navy plans provided by the Hampton Roads Military and Federal Facilities Alliance

This article is available for download at: http://hrpdca.gov/Documents/Economics/2012/SR17_NavyShipTransfer.pdf

