

Manufacturing Closures in North Louisiana

Introduction

First we must recognize that a mature or declining industry has an effect on the community much earlier than the actual closure. Industries at that stage of life are not making investment into facilities so the service sector businesses that would normally cluster around growth will begin to fade away. There is also much less opportunity for entrepreneurship and new development because resources and infrastructure are consumed by the existing industry.

Tax Credits

Mature industries generally produce significant local tax revenues for the community. The ultimate closure diminishes the tax base and some of that tax burden will shift to the surviving businesses. This comes at a time when revenues may be declining, resulting in “layoffs” or additional closures. Tax credit programs for designated “crisis communities” in the form of employee tax credits could help employers maintain their workforce during the stabilization and recovery period. A program designed to reduce lay-offs and provide an incentive that would allow employers to retain trained personnel would work to reduce government cost associated with unemployment. Incentives could be modeled from employee credits offered in the Renewal Community Program.

Designation of “At Risk” Community

When we say “crisis community” we are referring to the aftermath of the closure. However, this is not something that usually catches communities by surprise. Economic Development agencies know which industries are declining or shifting to global markets. Waiting for a closure before addressing the crises is a reactive response. A system should be implemented that identifies “at risk” communities by measuring the decline of jobs associated with an industry as a percent of total employment. Losses within a certain time frame could be used as a signal to make additional resources available to that community. In Bastrop the final closure was 550 jobs, but in fact it was over a thousand associated with the Louisiana Mill. At one time, International Paper had several thousand employed operating two mills and a liquid packaging plant.

Focus on Sustainability

Our economic system is currently based on growth and consumption. Most community leaders and stakeholders want growth. However, our primary consideration should be sustainability of communities and preservation of assets and value. To do this we must identify the capacity of the infrastructure and work to identify what emerging industries might match with the community. By doing this we not only preserve the value within a community but maximize existing assets to create productivity.

Funding for Proactive Planning

Funding to study utilities, transportation and raw materials available in an “at risk” community would help sustain that community through a major closure. Identifying excess capacity could be used as a transitioning tool before a closure takes place. Some communities will be stronger than others but we can position these communities for recovery according to their potential. We may addressing this somewhat, but implementation should be strengthened.

Conclusion

In Bastrop, the community has worked on Strategic Plans. We have cleaned up, improved gateways, supported educational projects and provided tax breaks. The community has really worked at not succumbing to the negative elements, while recognizing the decline the pulp and paper industry loomed on the horizon. Ultimately, we have no control over private assets, profitability or global competition.

Communities should take a proactive approach at identifying what their product will become after they are no longer a “specific industry” town. The resources that support a large industry such as water, sewer and emergency services are in place. When those are not used, the resources are diminished or disappear. Taking a more technical approach about what is available is an important part of a successful recover. Being able to utilize the community’s current capacity helps sustain the community, preserves public assets and develops policies to channel those resources into successful business re-development.

April 9, 2009, Mayor Clarence W. Hawkins, Bastrop, Louisiana