

SOUTHWEST LOUISIANA ECONOMIC INDICATORS

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Calcasieu Parish: Recovering From Hurricane Rita

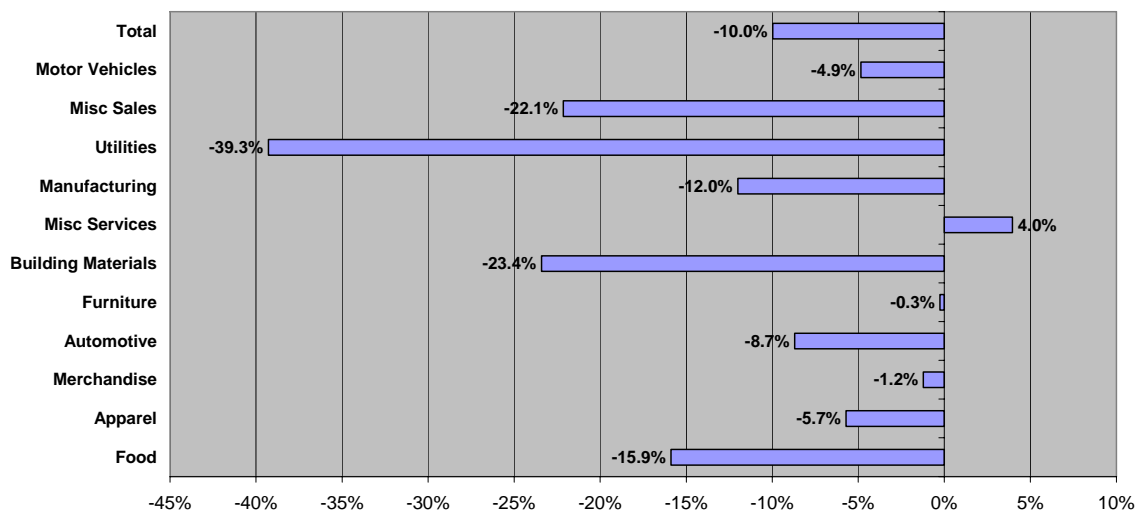
When Hurricane Rita came ashore between Cameron and Sabine Pass on September 23rd and 24th, the resulting property damages in Southwest Louisiana eclipsed those resulting from Hurricane Audrey in 1957—the last “big one” to hit the area. Thanks to more accurate storm track forecasting, better communications, and a more extensive evacuation effort, the human toll in terms of loss of life directly or indirectly from Rita was minimal when compared to the 500 lives lost in the storm surge from Audrey.

Many businesses in Calcasieu Parish were shut down for two weeks or longer—from Thursday, September 22nd, the day of the mandatory evacuation order, until Friday, October 7th when residents with power restored to their homes or businesses were officially invited to join the “Calcasieu Come Back”.

How bad was the hit to the economy of Calcasieu Parish? How long will it take to recover and what is the future outlook? Definitive answers will come only with time. Some preliminary evidence of the storm’s initial impact on spending in the Parish is now available.

August and September Taxable Sales Activity Down 10%

Taxable Sales for August and September in Calcasieu Parish
Percent Change from 2004 to 2005



The chart on the previous page compares taxable sales in Calcasieu Parish for the combined months of August and September of 2005 with sales in the same months of 2004. Sales for August and September are lumped together since data reported for the individual months create a misleading picture due to reporting anomalies resulting from the hurricane. Sales during the month of August would usually be reported in September, but the hurricane forced most businesses to remain closed during the last week of September. That meant much of the August sales activity was not reported until October and therefore appears in the data as September (rather than August) sales. Thus the monthly data make it appear that August was an exceptionally bad month and that September was an exceptionally good month for taxable sales—just the opposite of what actually occurred.

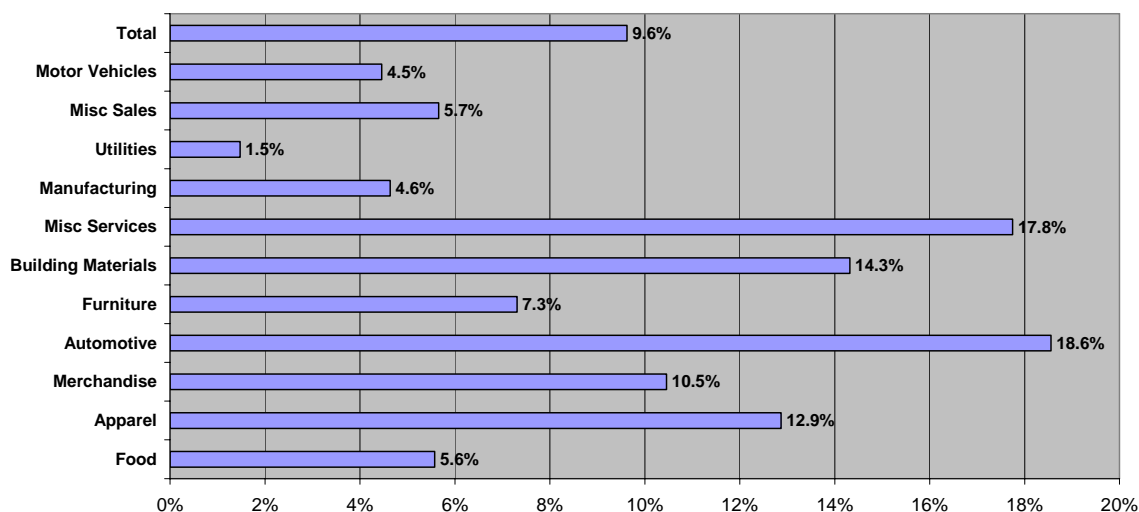
Total taxable sales reported in Calcasieu Parish during August and September were \$57.3 million less than in the same two month period of 2004. As shown in the chart on the previous page, this amounts to a 10% decline in total taxable sales.

The only category of taxable sales to register an increase during the August and September period was Miscellaneous Services (+4%). This category includes hotel and motel services. Evacuees fleeing Hurricane Katrina pushed local hotel occupancy rates to 100% before that storm struck Southeast Louisiana on August 29th. Because so many Katrina evacuees could not return to their homes, thousands remained in Calcasieu Parish hotels, motels, and shelters throughout September until Hurricane Rita forced them to evacuate from this area.

Cumulative Taxable Sales Through September Still Up 9.6%

The chart below compares year-to-date taxable sales in Calcasieu Parish from January through September of 2005 with the same period in 2004. The good news is that the initial negative impact of Hurricane Rita was not large enough to wipe out sales gains accumulated during the entire nine month period.

**Year-to-Date Taxable Sales for January through September in Calcasieu Parish
Percent Change from 2004 to 2005**



As the chart above indicates, year-to-date total taxable sales through the end of September 2005 were 9.6 percent higher than sales for the same period for 2004 (which was also a record year). In fact, all eleven categories of taxable sales shown in the chart register year-to-date increases when compared to the sales figures for last year. Double digit gains occurred in:

- automotive sales (+18.6%) – sales by automobile dealers (excluding new and used vehicles which are reported separately), auto parts, accessories, motorcycles, aircraft, marine and mobile home dealers, service stations, repair shops, tire and battery dealers;
- miscellaneous services (+17.8%) – hotels, motels, hospitals, rental and leasing of tangibles, bowling alleys, laundry, cleaning and alterations, machine shops and fabrications;
- building materials (+14.3%) – building and construction contractors, lumber, paint and wallpaper stores, heavy equipment;
- apparel (+12.9%) – clothing, millinery, accessory, specialty shops, shoe stores; and
- merchandise (+10.5%) – department dry goods, variety drug, feed and seed, hardware, farm implements, general merchandise, pawn shops, etc.

How were increases in year-to-date sales sustained when the parish was effectively shut down for the last week of September? This reflects the fact that Calcasieu Parish was having a banner year before Hurricane Rita hit. At the end of July, year-to-date total taxable sales were running \$195 million (15.8%) ahead of the figures for the previous year. The initial impact of Rita cut the year-to-date gains by 6.2 percentage points at the end of September.

Looking Toward the Future

How will the spending numbers hold up for the rest of the year?¹ On one hand, some businesses are still shut down or operating on restricted hours—which no doubt restricts local spending. On the other hand, as evacuees returned to Calcasieu Parish after the hurricane, there was a surge of spending as people restocked their refrigerators and freezers, contracted for debris removal, purchased building materials for temporary repairs to property, and tried to make arrangements for permanent repairs. This spending has been fueled by private insurance reimbursements for damages, FEMA expedited assistance payments, Red Cross assistance, unemployment compensation, food stamp benefits, and other public assistance programs. Spending for permanent repairs and rebuilding has only reached a trickle compared to what will occur in the months to come.

Two months after the hurricane, evidence of Rita's destruction is still visibly evident throughout Calcasieu—downed trees, piles of storm debris, blue roofs covering damaged homes and businesses, residences that are still unlivable and businesses that cannot reopen. Even though much remains to be done, what has been accomplished to date is quite remarkable. Recovery efforts spearheaded by the federal, state, and local governments, utility companies, private businesses and individuals began immediately

¹ It will be some time before complete information is available. Data for October sales are reported during the month of November and published in December.

after the storm passed. While much of the populace was still evacuated, law and order was maintained, roads were cleared, power and potable water services were restored, and businesses providing vital services began reopening.

To help businesses get up and running again, the **Southwest Louisiana Business Recovery Center** was set up on the first floor of the Chamber Southwest Louisiana building at 120 Pujoe Street in Lake Charles. The center is available to serve businesses needing assistance in Allen, Beauregard, Calcasieu, Cameron, Jeff Davis, Sabine, and Vernon parishes. It was established through the joint efforts of the Louisiana Department of Economic Development, the Chamber Southwest Louisiana, and the Southwest Louisiana Partnership for Economic Development. It provides representatives or referrals from the McNeese Small Business Development Center, the Small Business Administration, the SWLA Partnership for Economic Development, the Chamber SWLA, SCORE, the regional utilities, FEMA, and LA Works for employers and employees. The Center is a strong advocate for the needs of small businesses hit hard by the hurricane.

While some individual businesses face catastrophic hurricane losses, it appears that most of the key industries which sustain the Calcasieu regional economy survived the hurricane and restored their operations fairly quickly (albeit not at full strength in some cases). Three key industries that provide the backbone of the Calcasieu regional economy are refining and chemical manufacturing, aviation maintenance and repair, and gaming and tourism. These industries are called “export base” industries because they generate jobs and income in the regional economy by exporting goods and services to other regions of the state and nation. For these industries to thrive, an efficient transportation network (highways, rail, port, and air) and adequate housing for workers is required. For the most part, the transportation network also bounced back quickly, but housing shortages are likely to remain a problem for the foreseeable future.

Refining and Chemicals. The Lake Area Industry Alliance reported that none of its member company facilities incurred major damage. Within a short time after the hurricane, all were operational or in various phases of restarting. Electrical power was restored to the extent that this energy source was not a factor of delay. For many, natural gas supply and cost continues to be an issue of concern as the supply was significantly impacted by Hurricane Rita due to damage to compressor stations along the gulf coast. A decision to close the Lyondell chemical and polymer plant employing 280 full time workers was made prior to the hurricane.

Aircraft Maintenance and Repair. The Chennault International Airport Authority was operational with a mobile control tower immediately after the storm passed. All tenants at the industrial airpark, including Northrop Grumman and Aeroframe Services (formerly EADS), resumed operations fairly quickly. Estimates of damages to Chennault facilities are in the \$34-40 million range. It is anticipated that most losses will be covered by private insurance and FEMA. Temporary and permanent repairs are ongoing with the highest priorities to facility repairs and housing for tenant and contractor employees.

Gaming and Tourism. The Southwest Louisiana Convention and Visitors Bureau quickly reopened from its storm damaged facilities on the lakefront. An assessment of damages to tourist related businesses indicated that hotel rooms in Calcasieu Parish are

very scarce and this problem is likely to continue for some time. The majority of available hotels are housing FEMA, Entergy and other emergency responder personnel—some with contracts for a year. Eight hotels will be closed for 30-90 days for repairs while the rest of the hotels have minimal damage. SWLACVB revenues from room taxes have declined significantly as a result of hotel closures and this situation is expected to persist for the next three to six months. Continuously updated information is available on the web at www.visitlakecharles.com.

The L'Auberge du Lac and the Isle of Capri casinos and hotels reopened to the public fairly quickly. The Delta Downs Racetrack Casino & Hotel reopened in early November, but horse racing at Delta Downs will not resume until January 1, 2006. Harrah's Casino & Hotel remain closed and plans for reopening have not been announced.

The Creole Nature Trail All-American Road is closed pending recovery efforts in Cameron Parish. Each year the Creole Nature Trail All-American Road brings about 300,000 tourists to Southwest Louisiana. According to the SWLACVB, the marsh will recover, the birds and alligators will come back, and visitors should be able to experience the trail in the spring of 2006.

Transportation Infrastructure. The Port of Lake Charles reopened for ships and cargo within days after the storm and reports that the Calcasieu ship channel leading to the Gulf of Mexico is clear to its normal depth of 40 feet. This is vital for ocean-going vessels delivering crude oil to local refineries for processing. All docks and berths are in operation. Looking to the future, the port has proposed a major overhaul of its City Docks berthing area which will increase cargo handling efficiency.

The Lake Charles Regional Airport got back into operation after converting the Airport Fire Station into a temporary passenger terminal. Continental initially offered only three flights per day, but the schedule has now returned to normal. To recover from the hurricane, the Lake Charles Regional Airport has plans for a significant amount of construction activity that will include a new passenger terminal building.

The West Calcasieu Port on the Intracoastal Waterway south of Sulphur suffered minor damages from Hurricane Rita. All tenants (Devall Diesel, Devall Enterprises, AAA Construction and Tanner Fuel) were quickly back in business full time.

Educational Institutions. The Calcasieu Parish public schools reopened on October 24th. Many private schools reopened earlier. McNeese State University reopened on October 27th. Damages at the Sowela Technical and Community College campus led to cancellation of most classes for the fall semester, but plans for spring semester registration are being formulated.

Housing. One of the most serious post-hurricane problems facing Calcasieu Parish is a shortage of housing for those displaced from damaged private residences and apartments. Efforts to provide FEMA trailers for temporary housing are proceeding, but the number available is not likely to meet the demand in the foreseeable future.

At McNeese State University, one entire dormitory and parts of other student housing units cannot reopen for the fall semester. Some displaced students are being housed on the “Texas Clipper” which is docked at the Port of Lake Charles.

The Longer Term Outlook. Post-hurricane investment in repairs, rebuilding and restoring of services is a foregone conclusion that requires little rethinking about the future economic viability of Calcasieu Parish.² The population base of Calcasieu is not only intact, but has grown at least temporarily by thousands with the influx of recovery workers and displaced residents from New Orleans and hard-hit coastal parishes such as Cameron. While the recovery will take time and considerable effort, it will continue to move forward with much of the cost covered by private insurance, FEMA, and other aid programs.

An infusion of spending from insurance reimbursements, FEMA and other relief programs is already helping jumpstart the regional economy. No doubt there will be more bleak reports in the near-term as data on the immediate impact of Rita come in. But eventually these discouraging reports will give way to concrete evidence of recovery in Calcasieu.

A recently released 2006/2007 forecast for the Lake Charles metropolitan area predicts a loss of 500 jobs in 2005, and then a gain of 1,200 new jobs over the next two years. This forecast assumes reopening of Harrah’s riverboat casino complex in 2006 and 2007 will restore 1,400 jobs.³

The *Southwest Louisiana Economic Indicators Reports* are distributed electronically through the **H.C. Drew Center for Economic Development Information Services** in the College of Business at McNeese State University in Lake Charles, Louisiana.

Visit our webpage for more detailed information depicting recent economic trends in Southwest Louisiana—including Calcasieu, Cameron, Allen, Beauregard, and Jefferson Davis Parishes.

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² Decisions about whether to reinvest in New Orleans and other formerly highly populated areas of Southeast Louisiana that were destroyed by Hurricane Katrina are much more problematic. Many of these areas remain susceptible to flooding and other serious environmental problems that must be addressed before rebuilding can take place. A decimated housing stock will also slow the recovery in those areas.

³ The statewide forecast by Dr. Loren Scott and Dr. James Richardson of Louisiana State University predicts the State of Louisiana will lose 59,700 non-farm jobs in 2005, drop another 158,900 jobs in 2006, and rebound by 47,700 jobs in 2007.