

## JFCOM fallout: Fewer cars sold, fewer pizzas delivered

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Should the U.S. Joint Forces Command shut down, the prospect is overwhelming for at least two Hampton Roads communities.

But the proposal, if instituted, might be a shell game - shifting dollars from one branch of the military to another, and from one community to another one, maybe within the same region.

Norfolk, where the joint command is headquartered, and Suffolk, where it has spawned a mini-city of buildings filled with government contractors, would be the hardest hit cities in the region.

Defense Secretary Robert Gates has proposed shuttering JFCOM, which employs 6,100 civilians and military personnel.

An advisory board attached to the Pentagon, the Defense Business Board, recommended to Gates last month that JFCOM be shut down, along with other functions that are redundant or contractor-heavy in the military.

In its report, the board concluded that the military's combatant commands are swollen with thousands of expensive contractors, many in redundant positions, according to DefenseNews.com

JFCOM is one of 10 combatant commands.

Gates asked the board to propose ways the department can slash \$101 billion over five years from overhead and unneeded costs, the website said.

Gates has said his proposed cuts would not reduce the defense budget.

To deflect criticism, especially from Virginia's congressional delegation, Gates has said Virginia might come out with a lot more jobs than it loses if he's able to funnel \$1 billion to \$2 billion in savings to the U.S. Navy's shipbuilding program.

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President Obama endorsed the proposals in a statement; only the president has the power to veto the proposals.

Congress can't override the president's veto, but it can make it more difficult for the president to get funding for projects he wants.

If JFCOM were to disappear completely, the region would lose 10,000 jobs and \$1 billion in annual income or 1.25 percent of Hampton Roads' regional gross product, said James Koch, Old Dominion University Board of Visitors Professor of Economics and president emeritus of the school.

The loss of jobs at JFCOM would be a blow of much greater magnitude than anything the region has experienced recently, Koch said.

"I'd point out in addition that the JFCOM jobs have tended to be higher-income positions; they have not been backroom, minimum-wage service jobs. That is why the income loss is so large.

"I suspect, however, that we will not lose all of the JFCOM jobs; some individuals will be relocated within the region.

"After all, we have the largest naval base in the world here, and it will act as a magnet for some of the JFCOM positions," Koch added.

"Nevertheless, even if it turns out that we only lose 5,000 jobs - taking into account ripple effects - this still is of an order of magnitude much greater than anything we have seen for a long, long time."

Koch said every industry in Hampton Roads will be affected by the closure, especially housing in and around Suffolk.

"There will be fewer automobiles purchased, fewer pizzas eaten, fewer students in schools," Koch said.

"If there is an upside to this pain, it is that the next few years will turn out to be a very good time to purchase a home because of large unsold home inventories and resulting lower prices."

"The potential loss of so many quality jobs could be devastating to Hampton Roads," said Mike Barrett, president of real estate developer and owner of Runnymede Corp. "However, in these Department of Defense situations, frequently the initial announcement is modified later."

Hampton Roads is a low-cost, high-quality location for military families and DoD contractors and their families, said Barrett, who is also chairman of the Hampton Roads Economic Development Alliance.

"If the decision to close the command cannot be reversed, there is a high likelihood that many of the functions will remain attached to other commands," he said.

"From the alliance's standpoint, anytime you lose 4,000 to 5,000 high-paying jobs, you're having a tremendous impact on the community," said Darryl Gosnell, president and CEO of the alliance.

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"But it is early," Gosnell said. "We have seen some of these announcements before and things get changed or modified in many cases before they become a reality."

The clamor over the JFCOM closure obscures the fact that Virginia received more government dollars than any other state besides California, raking in \$331.4 billion from 2000 to the third quarter of 2009, according to data from the Office of Management and Budget.

"Hampton Roads was able to shrug off the adverse impact of closures such as the Ford Motor Plant and International Paper because of the rising tide of defense expenditures," Koch said. He referred to a Wall Street Journal story published Aug. 10, saying Hampton Roads was one of only three of 52 metropolitan areas with more than 1 million in population to experience rising per capita incomes the past two years.

The other two regions were San Diego and Washington, D.C, both with a large military presence.

The article was based on data from the Commerce Department measuring per-capita income for metropolitan regions in the U.S.

Koch agreed with the article, attributing the rise in per-capita income to defense spending in Hampton Roads and said it is now responsible for about 45 percent of the regional economy.

"However, if defense spending now turns instead into a drag on the regional economy, then we are in for difficult times."nib