

# **ECONOMIC IMPACT OF CENTURY ALUMINUM OF WEST VIRGINIA, INC.**

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The opinions contained herein reflect those of the author and do not necessarily represent those of the West Virginia University Board of Trustees.

## OVERVIEW

Century Aluminum of West Virginia, Inc. (Century) is located in Ravenswood, West Virginia and produces aluminum products for the aerospace and transportation markets. Century is the former Ravenswood Aluminum Corporation and employs more than 660 employees with a production capacity of 170,000 tonnes per year.

The economic impact of a business on a state economy can vary greatly depending on their presence in that state. A business that is located solely within the state, employs residents of the state, and purchases goods and services from within the state has a larger impact on the state economy. The economic impact of a business can also vary greatly depending on the location of suppliers. Purchases of goods and services from businesses within the region (state or county) increases the economic impact on the regional economy. Century is both located in the state and makes significant purchases West Virginia goods and services.

Century's presence in the state in 2007 generated a total business volume impact in excess of \$579 million that supported nearly 1,600 jobs and \$111 million in employee compensation. This report documents the economic impact these expenditures had on the Jackson County and West Virginia economies in 2007.

## ECONOMIC IMPACT MODEL

The economic impacts of Century's spending, both in Jackson County and elsewhere in the state, were estimated using the IMPLAN® input-output model. This is standard methodology used in many national and regional economic impact studies. This methodology has been used by the West Virginia University Bureau of Business and Economic Research (BBER) in numerous studies.<sup>1</sup>

The economic impacts are estimated for the Jackson County economy as well as for the West Virginia economy during calendar year 2007. The economic impacts estimated in this report are business volume, employee compensation, employment, and assorted state taxes. Definitions of these impacts are included in Appendix A.

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<sup>1</sup> BBER studies can be obtained from the BBER website ([www.bber.wvu.edu](http://www.bber.wvu.edu)).

## ECONOMIC IMPACT OF CENTURY ALUMINUM OF WEST VIRGINIA, INC.

Century has a significant economic impact on the local Jackson County economy, but the spending by Century and its employees outside of Jackson County also has a significant impact on the West Virginia state economy as a whole. The economic impacts are generated through Century's direct expenditures with suppliers as well as purchases of goods and services by Century employees using wages and salaries paid to these employees.

### TOTAL IMPACT OF OPERATIONS ON THE JACKSON COUNTY ECONOMY

Table 1 provides the direct, indirect and induced, and total economic impacts of Century on the Jackson County economy. The direct impact, following standard economic impact definitions, represents the total expenditures of Century's operation since the facility is located in Jackson County. The indirect and induced impacts measure the dollars or jobs created in other Jackson County businesses and are the result of spending with Jackson County business by Century and its employees. The impacts cover the 2007 calendar year.

<b>Table 1</b>			
<b>Economic Impact of Century Aluminum of West Virginia, Inc. - 2007</b>			
<b>Jackson County Economy</b>			
<b>Type of Impact</b>	<b>Direct Impact</b>	<b>Indirect and Induced Impact</b>	<b>Total Impact</b>
Business Volume (Sales)	\$325,100,000	\$37,600,000	\$362,700,000
Employment (Jobs)	667	170	837
Employee Compensation	\$69,700,000	\$5,100,000	\$74,800,000

**Notes:** Employment is reported in average annual jobs. Totals may not sum due to rounding. Assorted state taxes include consumer sales taxes, use taxes, personal income taxes, corporate net income taxes, and business franchise taxes.

Century's expenditures with suppliers and payments to employees totaled more than \$325 million during calendar year 2007. This included nearly \$70 million in employee compensation for the 667 employees working at the facility. Century's expenditures with businesses located in the Jackson County and wages and salaries paid to employees from Jackson County generated \$37.6 million of additional economic activity in the county economy. This economic activity supported 170 jobs in other Jackson County businesses, providing \$5.1 million in wages and benefits to these workers.

Century's presence in Jackson County generates \$363 million of business volume, nearly 840 jobs, and \$75 million in employee compensation.

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#### TOTAL IMPACT OF OPERATIONS ON THE WEST VIRGINIA ECONOMY

Table 2 provides the direct, indirect and induced, and total impact of Century's operations on the State of West Virginia economy. The direct impacts represent the expenditures of Century for both purchases of goods and services from other businesses as well as employee compensation for its employees. Employee compensation includes wage and salary payments and benefits (retirement, health insurance, social insurance, etc.).

Century's direct impact for its operations totaled more than \$325 million. These expenditures generated \$255 million of business volume in other West Virginia businesses for a total business volume impact of \$579 million dollars. The economic activity of Century's operations supported nearly 1,600 jobs in the state, 667 jobs directly with Century and 910 jobs with other West Virginia businesses. The impact of Century's operations generated nearly \$111 million in employee compensation to support these jobs at Century as well as in the other businesses in the state.

Table 2			
Economic Impact of Century Aluminum of West Virginia, Inc. - 2007			
West Virginia Economy			
Type of Impact	Direct Impact	Indirect and Induced Impact	Total Impact
Business Volume (Sales)	\$325,100,000	\$254,700,000	\$579,800,000
Employment (Jobs)	667	910	1,577
Employee Compensation	\$69,700,000	\$41,100,000	\$110,800,000

**Notes:** Employment is reported in average annual jobs. Totals may not sum due to rounding. Assorted state taxes include consumer sales taxes, use taxes, personal income taxes, corporate net income taxes, and business franchise taxes.

The increased economic activity generated in the state from Century’s operations creates increased tax revenues. The increased business volume resulted in \$5.9 million in assorted state taxes, including personal income taxes, consumer sales taxes, use taxes, corporate net income taxes, and business franchise taxes.

In addition to the impacts from the operations of Century, spending for construction and equipment generates additional economic activity in the county. These additional impacts are not included in the impacts presented in this report and, as such, the impacts presented in Tables 1 and 2 should be considered a conservative (lower bound) estimate of the total impacts of Century’s presence in the state and county economies.

## APPENDIX A: ECONOMIC IMPACT DEFINITIONS

### BUSINESS VOLUME

Sales plus net increase in finished inventories and the value of intra-corporate shipments. Equals output (see below) plus the cost of goods sold in retail and wholesale trade.

### EMPLOYMENT

The number of jobs in a business, industry, or region. Also, the number of jobs attributable to an impact (see below). This is a measure of the number of full-time and part-time positions, not necessarily the number of employed persons. Jobs are annual average by place of work. A job year is equivalent to one job for one year.

### EMPLOYEE COMPENSATION

Wages and salaries plus employers' contribution for social insurance (social security, unemployment insurance, workers compensation, etc.) and other labor income (pension contributions, health benefits, etc.). By place of work unless otherwise stated.

### ECONOMIC IMPACT

The results of the recirculation of funds throughout a regional economy due to the activity of a business, industry, or institution. Estimated by tracing back the flow of money (backward linkages) through the initial businesses' employees and suppliers, the businesses selling to the employees and suppliers, and so on. Thus, they are a way to examine the distribution of industries and resources covered in the costs of the initial activity.

### OUTPUT

For most sectors, measured as sales plus net inventories and the value of intra-corporate shipments. For retail and wholesale trade, measured as gross margins (i.e. sales minus cost of goods sold, also equal to the mark-up on goods sold).