



Sudden Impact

Many of New York City's Vital Sectors Seriously Affected by September 11 Attack

Large financial companies and retail establishments of all sizes took the most direct hit from the attack on the World Trade Center, but the events of September 11th and the subsequent decline in the nation's economy has also inflicted deep wounds on most of New York City's other important industry sectors. The attack has had an enormous ripple effect on everything from software, web design and other parts of the new economy to the city's old economy stalwarts like apparel manufacturing, printing and air cargo. And for many industries, including the arts, the disaster has made a bad situation much worse.

This report provides a snapshot of the impact of the September 11th disaster on several vital sectors of New York City's economy. It attempts to highlight the most significant problems facing companies in these industries and provide some useful statistics and anecdotes about how these sectors are faring in wake of the attack on the World Trade Center and the resulting economic slowdown.

Among the major findings of this study:

SOFTWARE/NEW MEDIA

- Roughly 50 software firms and other computer-related businesses were displaced by the disaster.
- One of the biggest blows to New York's nascent high-tech industry was the destruction of the New York Telemedia Accelerator, a 22,000 square foot incubation center for several young technology firms.
- Cutbacks in investments by venture capital firms and reductions in tech spending by major financial clients have hurt high-tech firms throughout the city.

PRINTING

- Business in the industry is down by more than 25 percent since the attack.
- While several printers located in downtown Manhattan were temporarily displaced by the collapse of the World Trade Center, the greatest problem facing the industry overall is a significant loss of business from clients in the finance, advertising and publishing sectors.

APPAREL

- Many of the roughly 250 garment factories in Chinatown had to shut down for at least a week after the attack, a difficult task for companies that operate on extremely low profit margins. The 50 manufacturers located below Canal Street were closed for a longer period and subsequently operated far below full capacity because delivery trucks couldn't get in and out of the area.
- Designers and contractors lost business because department stores and other major retailers, facing a sharp slowdown in consumer buying, have severely cut back new orders and, in some cases, even cancelled orders they'd already placed.

AVIATION AND AIR CARGO

- A major decline in air travel has resulted in a tremendous loss of business for hundreds of airlines, freight forwarders, truckers, food preparation companies, limousine services, parking lot operators, hotels and other airport-related businesses in Queens.
- While air cargo traffic has rebounded more than passenger travel, companies involved in the movement of cargo to and from Kennedy Airport have been affected by frequent inspections of trucks on the Hudson River crossings.

BIOTECHNOLOGY

- Though none of the city's biotech firms were directly affected by the attack on the World Trade Center, the pending fiscal crisis could force city and state government officials to reduce or

cancel several important biotech-related development projects that had been slated to receive public subsidies.

Software, Web Development, New Media

Many city software, web development and other computer-related companies were directly affected by the attack on the World Trade Center, though countless other high-tech firms are now hurting simply because the events of September 11th caused steep losses for their clients in the financial services sector and their backers in the venture capital community.

Roughly 50 software firms and other computer-related businesses were displaced by the disaster, according to the New York Software Industry Association. Most of these firms have relocated to new space, but even the temporary business interruption has been difficult to overcome since so many of these firms are small businesses that operate with small profit margins. "Losing a week or two of business to these small firms is like losing a quarter to a larger business," says Alice Rodd O'Rourke, executive director of the New York New Media Association.

One of the biggest blows to New York's nascent high-tech industry was the destruction of the New York Telemedia Accelerator, an incubation facility for tech firms at 30 West Broadway—adjacent to 7 World Trade Center. The 22,000 foot facility, a joint project of CUNY and the New York City Investment Fund, was launched almost exactly a year prior to the September 11th disaster to provide inexpensive, pre-wired space and support services to young technology businesses. The facility had six tenant companies, and two more firms were scheduled to move in by the end of September. However, the collapse of the World Trade Center destroyed the accelerator, along with its computers, networking equipment and other infrastructure.

The accelerator's staff has moved into temporary space at 55 Broad Street. But instead of 22,000 feet and room for 10 tenant companies, it now has just 2,300 feet and room for only a couple of firms. It also has no room to bring on new start-ups. "One of the things we provide to each start up company is plug-in-place space, but we lost our facility and our ability to do this," says Shari Ford, the accelerator's CEO.

Even tech firms in other parts of the city have been scrambling to stay afloat because many of their clients were either displaced by the attack or forced to cut back on spending due to the decline in the economy. As a result, web designers, software developer and firms that provide other computer-related services to investment banks, insurance companies and others have had to deal with a huge drop in business.

In addition, economic uncertainty has prompted several venture capital investors in New York and elsewhere to re-evaluate their investment portfolios, a development that has already begun to wreak havoc on some of the city's tech firms—most of which rely heavily on VC funding. At least one New York software firm had to shut down after its investors pulled out of a funding commitment they'd made prior to the attack on the World Trade Center.

That company, Abridge, Inc., which developed intelligence

The original web version of this report had preliminary findings about the arts and culture sector that have now been updated. They can be found in the third report in this packet, Going on With the Show.

software for electronic communications, had received a commitment for bridge financing that would keep it alive at least through the end of the year. Its VC backer was supposed to sign the paperwork for the deal on September 11th and the funding was supposed to go through by September 14th. But after the attack and the consequent reaction of the financial markets, the VC firm decided not to do bridge financing for early stage companies, and to instead invest more funding in later stage companies on the brink of going public.

Susan Hunt Stevens, president of Abridge, had three weeks to find an alternative source of financing before her firm ran out of cash. But the obstacles were too high. There simply wasn't enough time to convince other VC's to come to her aid. Several of the firm's clients were physically displaced by the attack and Hunt Stevens couldn't get them on the phone. And the emergency loans being provided by the SBA and other government agencies wouldn't have helped a firm which, like most research and development companies, didn't have a steady stream of income to pay off debt.

As a result, Hunt Stevens was forced to lay off the firm's 20 employees on October 2nd. "We were not guaranteed to succeed, but September 11th guaranteed that we did not make it, given the timing and situation we were in," she says. "The funding market has not closed, but it went from bad to worse. Last year, really bad companies were going out of business. Now, very good companies with good technologies and strong customers are going out of business."

Printing

The attack on the World Trade Center temporarily displaced several printing companies in lower Manhattan and caused numerous logistical problems for printers in parts of the city affected by new restrictions on truck movements. More significantly, however, business is down considerably at printing shops throughout the city because their clients in the financial services, advertising and other industries have been forced to cut back on spending.

Business in the industry is down more than 25 percent since the attack, according to Vicki Keenan, vice president for communications at the Association for Graphic Communications. Many of the larger printing companies say business is even worse now than it was in the recession of the 1980s.

Several printers were temporarily displaced from their factories in downtown Manhattan, particularly those whose buildings are located on West Street, which was closed to all traffic other than emergency vehicles. Some companies that were displaced for a week or two returned to find damaged rollers and other equipment ruined by dust and debris from the blast, while others couldn't get into their buildings to finish jobs that were on the presses when they had to vacate on September 11th. Admiral Communications, for instance, only got back into its building on West Street in mid-October. Because employees had fled the factory in a hurry with ink still in the presses, some machines were destroyed, costing the company nearly \$1 million.

And with a large part of the industry still clustered in the area around Hudson, Varick and Canal Streets, many printers had

a difficult time getting trucks in with the paper, ink and other supplies they need to conduct business and getting trucks out with finished products. Many of the roughly 100 printers now doing business in Long Island City were faced with the same problem, largely because bridges and tunnels over the East River were closed for several days and then subject to new restrictions that slowed truck traffic and made it difficult for clients from Manhattan to make their usual visits to the factory to inspect their jobs before the presses were run.

The greatest problem for printers, however, has been the loss of a significant part of their client base. Much of the industry's business came from clients in the financial services industry, which used local printers to produce reports and other investor-related documents on a quick-turnaround basis. In fact, many of the industry's clients were located in the World Trade Center. The loss of business from clients either physically displaced or forced to cut back as a result of the declining economy has exacted a heavy toll on printers throughout the five boroughs.

The city's printing companies were already struggling prior to September 11th due to massive layoffs in key client industries like advertising and publishing. "But what was a very bad situation for the industry was exacerbated by September 11th," says Keenan. "With the financial sector in disarray, coupled with even further layoffs in advertising and publishing, the printing industry has been impacted significantly."

The Anthrax scare may create even more problems for printing companies, particularly those that print catalogues and direct mail brochures. It's likely that demand for these products will decrease substantially over the coming months.

Going forward, printers should see business return to normal when the economy improves and when fortunes improve for their regular clients in the finance, advertising and publishing industries. But some in the industry fret that as occupancy rates in Manhattan decline, building owners will look to convert loft space that printing companies now occupy into more profitable office space, forcing printers to relocate to the other boroughs or New Jersey.

Aviation and Air Cargo

The nation's aviation industry took the hardest hit of any sector of the economy. In New York, steep cuts in airline travel and new restrictions on truck movements have led to layoffs at JFK and LaGuardia airports and a significant loss of business for hundreds of airlines, freight forwarders, truckers, food preparation companies, limousine services, parking lot operators and other airport-related businesses that operate in Queens and other parts of the city.

New York's airports were closed for several days following the plane crashes and air travel was off by up to 50 percent in the following week. More people have started to fly in recent weeks, but airline travel is still down by roughly 20 percent.

New York-based carriers like American Airlines have laid off large numbers of employees, while SwissAir, another airline with a significant presence at JFK, recently declared bankruptcy. In addition, hotels around JFK, which get most of their business from airline personnel and passengers that miss connections, had

Now, more than ever, it is critical that companies in these and other important industries are a part of the city's economic development strategy going forward.

as few as 20 guests at a time in the week after the attack. Business has plummeted at all sorts of restaurants and shops at JFK and LaGuardia, as well as at the bus companies, car services, catering businesses and other businesses that service the airports.

Greg Buttle, who owns a valet parking business for passengers at JFK, LaGuardia and Newark Airport, says his company will go out of business in a few months if things don't pick up. For several days after September 11th, there wasn't a single car on the lot. Some business has returned since then, but not enough to improve the company's financial situation very much. "At LaGuardia, we expect about 150 cars at our lot there. We now have 20," said Buttle in early October. "At JFK, I'm usually parking 150 cars a day, but I may park 50 today."

Airlines, freight forwarders and truckers involved in the movement of air cargo were already coping with sagging business as a result of a global economic slowdown. But in the week after September 11th, these businesses virtually shut down as flights were grounded. "It literally came to a halt. We felt a dramatic slowdown, perhaps 30 percent," says Charles Rick, president of M&G Packaging, a Floral Park company that supplies airlines with palette covers, boxes and other packaging supplies used in the air cargo industry. Fortunately, Rick says much of the business returned in the following weeks, noting that cargo will continue to be shipped even as passengers reconsider whether or not it is safe to fly.

But companies involved in the city's air cargo industry have also been stymied by disruptions at the Hudson River crossings. Congestion on the Van Wyck Expressway and bridges leading to the Interstates west of the city—already a major impediment to future growth of the city's air cargo industry—has only been worse since September 11th. At least one shipping company decided to move cargo by sea when confronted with additional difficulties in moving goods by truck. If access to JFK doesn't improve, it's likely that some airlines will transfer some portion of their cargo business to other airports around the country. In August, for instance, China Airlines cited airport access as a primary reason for launching new freighter service to Nashville, a move that will potentially take business from JFK.

Apparel

Fashion designers and garment factories throughout the five boroughs are reeling from the rapid slowdown in consumer spending, but the effects of the attack on the World Trade Center have been particularly acute for several dozen apparel contractors

located below Canal Street in Chinatown.

Even before the September 11th, New York's apparel industry was already struggling due to a poor economy. But things have gone from bad to worse in the past six weeks. Consumer confidence and retail sales are way down since September 11th and most industry observers expect a disappointing holiday shopping season. Fearing that shelves would remain overstocked, department stores and other large retailers have cut back on orders, prompting some designers to call their local contractors to cancel manufacturing jobs that had already been commissioned. "Piece goods were in the shop and manufacturers called and told them not to work on them. They weren't sure if retailers would cancel the order," says May Chen, associate manager of Local 23-25 and an international vice president of UNITE, the garment workers union.

While the industry is suffering, the 250 garment factories in Chinatown have had a particularly hard time in the wake of the attack on the World Trade Center. Most of these firms were closed down for at least a week, an especially hard hurdle to overcome for companies that operate on extremely low profit margins and which break even only by paying their employees wages that hover around the minimum allowed by law.

While most of these manufacturers went back to work a week after the attack, roughly 50 apparel factories located south of Canal had a much more difficult time getting back to normal. Trucks and vans couldn't get near the factories with piece goods needed for production and shop owners couldn't get the racks of finished garments onto trucks. Meanwhile, employees had to show ID's to get past security teams at Canal Street, but language barriers between cops and garment workers made this a difficult task. And phone service was down for several weeks. According to Chen, volume was down by 75 percent at many of the factories in Chinatown.

Biotechnology

None of the city's biotech companies were directly impacted by the attack on the World Trade Center, but some of the leaders of the city's biomedical leaders believe that the attack may jeopardize millions of dollars in public funding for biotech projects around the five boroughs.

Budget bills proposed by the Governor and passed by the State Assembly and the State Senate all included significant new state funding for biotech incubators and research projects considered important by the industry, but the bare bones budget bill that was eventually signed into law didn't include funding for any of these projects. There was hope that the Governor and Legislative leaders would ultimately agree to a supplemental budget that included much of this money, but the events of September 11th have thrown the state budget into deficit and prompted state officials to reconsider ambitious new spending initiatives.

Among the projects now awaiting funds is the East River Science Park, a proposal for the development of a large commercial biotech facility city-owned buildings on the former Bellevue Hospital campus. The state previously committed up to \$30 million for the project. In addition, NYSTAR approved a \$500,000 grant to a biotech incubator being developed by SUNY-Downstate campus in central Brooklyn. The budget bill