

New study analyzing return of businesses to New Orleans after Katrina

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LSU Professor and Chair of Environmental Sciences Nina Lam and Professor and Louisiana Real Estate Commission Chair Kelley Pace, along with colleagues from LSU, Tulane University and Texas State University, will publish the results of a study analyzing business return to New Orleans post-Katrina in a Public Library of Science publication, *PLoS ONE*, on Wednesday, Aug. 26.

"Our findings underscore the need for advance preparations and decisions made at the public policy level," said Lam. "Guidelines for issues such as infrastructure protection need to be determined before disaster strikes, so that policies can be enacted quickly, assisting business owners with the complex decision of whether to return and reopen or to simply shut their doors for good."

Lam and her co-authors conducted repeated telephone surveys of New Orleans businesses beginning in December 2005 and ending in October 2007. Their focus was to determine what factors influenced decisions to reopen businesses - and, conversely, what issues convinced business owners that closing down was the better decision.

"A reopening rate of 65 percent was found for all business times by October 2007," said Lam. "Businesses remaining closed after that time ranked levee protection as their top concern immediately following the storm, but in subsequent months cited damage to the physical locations and financing as predominant factors."

Scientific, technical and professional services-oriented businesses were found to reopen most rapidly, but differences in the rate of reopening became indistinguishable after approximately two years.

"For businesses that had recently opened as of our final survey, infrastructure protection such as levees, utilities and communications, were the main concerns mentioned at first," said Lam. "But by the end of the survey period, crime had become the primary worry for most businesses in our sample."

The researchers believe that the large number of business - approximately 59 percent - that remained uncertain four months after Katrina's impact indicates that business owners were weighing their options and taking a wait-and-see attitude.

"Businesses will likely return or re-open if there are timely and adequate recovery plans that can help repair property flooded or otherwise damaged during an event," said Lam. "Likewise, an emergency plan designed for rapid restoration of clean water, power, roads, public transportation and telecommunications would help to eliminate a major concern of businesses and presumably would increase the likelihood of business return."

Other researchers involved in the study include:

- Helbert Arenas, LSU Department of Environmental Science
- Richard Campanella, Tulane University Center for Bioenvironmental Research
- James LeSage, Texas State University Department of Finance and Economics

- Kelly Pace, LSU Department of Finance

Though the study is complete, the implications are definitely long-term in nature. It has yielded unique and more complete results than other studies similar in nature because Lam, Pace and the others were able to conduct the surveys within a short time after the storm's passage, and included both open and closed businesses. Other studies were only able to contact businesses that were currently open - those that had "survived" - which resulted in a "survivorship bias."

"Our results overcome the survivorship bias issue and provide empirical observations that should prove useful in improving micro-level spatial economic modeling of factors influencing business return decisions," said Lam. "What happened in New Orleans was unprecedented. With research and a little luck, perhaps we can avoid the long-term fallout of natural disasters in the future."

More information: Lam NSN, Pace K, Campanella R, LeSage J, Arenas H (2009) Business Return in New Orleans: Decision Making Amid Post-Katrina Uncertainty. PLoS ONE 4(8): e6765.
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