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CBER
CENTER FOR BUSINESS
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CBER Calculates Impact from Chemical Spill into Elk River

Huntington, WV - The Marshall University Center for Business and Economic Research (CBER) conducted a preliminary investigation of the impact of the January 9 chemical spill into the Elk River that prompted a water use ban in nine West Virginia counties. CBER estimates this impact on economic output to be just over \$19 million for each business day the ban was fully in place (not including any multiplier effects). This amounts to about 24 percent of the economic activity of the affected area. Over the four days immediately following the ban, the total affected output is estimated to be roughly \$61 million, including two business and two weekend days. Additional output was affected in the days following, as some areas were still unable to utilize water; this impact was not included.

This estimate includes affected output at establishments where clean water is an essential component of services or a vital input to production, such as schools, medical offices, restaurants, hotels and some retail. Establishments in some industries, such as hospitals and nursing homes, continued operating but had to use alternate water sources. Many of the affected retail establishments are likely to have seen deferred sales and thus recover all or a portion of lost revenues. State and local government and industries such as mining and construction, in which operations were not directly impacted by the ban, were assumed to be unaffected.

The number of affected workers is estimated to have been nearly 75,000 for each business day the ban was fully in place, representing about 41 percent of area workers. This high share is an indicator of the nature of the impacts, where the lower-wage, service-producing sector was more acutely impacted than higher-wage industries. Establishments in the restaurant and lodging industries are less likely to recover lost revenues and are among those most affected by the inability to use water. Estimation of the amount of wages permanently lost by hourly workers requires more detailed analysis.

The estimated \$61 million of affected output does not include the cost of cleaning up the spill or any emergency expenditures made as a result and is thus not intended to represent the full economic impact of this incident. A portion of this output is permanently lost revenue (to non-impacted areas such as Huntington) and employee income (mostly hourly workers) that will not be recovered. Further analysis is needed to uncover the full effect.

CBER provides economic research to public, private and non-profit sectors, specializing in the areas of energy, policy, education and health. For more information about CBER visit marshall.edu/cber.

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