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New Study Details Impact of Water Supply Disruption on Los Angeles County Economy

Economists forecast severe job loss and other economic impacts from major disruptions while pointing to the importance of local strategies to ensure a secure water supply

LOS ANGELES, CA – Today, the Los Angeles County Economic Development Corporation (LAEDC) released a report, titled: *Total Regional Economic Losses from Water Supply Disruptions to the Los Angeles County Economy*. The report, conducted by a team of University of Southern California economists led by Professor Adam Rose, one of the nation’s leading economic risk analysis experts of terrorism and other major disasters, finds that Los Angeles County could suffer startling job and gross domestic product (GDP) losses if a major disruption to the region’s imported water supplies were to occur from a shutdown of the California Aqueduct due to a man-made or natural disaster such as an earthquake.

The report shows that Los Angeles County could face severe economic scenarios resulting from a 12-month and 24-month shutdown of the California Aqueduct, for example:

- During an adverse hydrologic (i.e., drought) year (such as experienced in 2008), a 12-month shutdown would amount to economic losses of as much as 550,000 jobs and \$55.6 billion in GDP if resilience, such as accelerated conservation and diversion of replenishment water to other uses, is minimal.
- Under normal hydrologic (e.g., rainfall) conditions, a 24-month California Aqueduct shutdown would lead to as much as 740,000 in lost job-years, \$75 billion lost in GDP and \$135 billion in lost total sales revenue for businesses if resilience is minimal.

Speaking about the report’s key findings, Ed Casey, Chair of the LAEDC Water Subgroup and Partner with Alston & Bird LLP, stated, “by commissioning this study, we wanted to put an economic price tag on what experts have long known, namely that a disaster could significantly disrupt our region’s water supplies and cause extraordinary economic and social consequences.” Casey continued, “and what a destructive price tag it could turn out to be with a 12-month disruption of the Aqueduct potentially resulting in 550,000 lost jobs in Los Angeles County; that’s close to 15 percent of our county’s entire employment base and nearly twice the number of jobs lost in L.A. during the Great Recession. These numbers should startle policy makers into taking the necessary actions to prepare for such a major disruption in our water supply system.”

As such, the report demonstrates the importance of protecting imported water sources that are vulnerable to natural disasters, developing local water supplies, maximizing groundwater storage, and implementing locally

driven strategies to expedite the development and delivery of critical water infrastructure projects as well as moving to a smarter design of the built environment.

One of the report's major takeaways is that without additional preparation Los Angeles County could suffer devastating impacts on its economy and the quality of life of its residents if a major disruption to the region's imported water supplies were to occur.

"Our findings indicate how critical water is to the LA County economy and how fragile that relationship is," acknowledged USC Professor Adam Rose, the report's lead author. "Despite many effective investments in water security at the state and local levels, serious consideration should be given to doing even more to protect and maintain the County's water supply."

Funding and technical support of this independent study were provided by Los Angeles Department of Water and Power, Metropolitan Water District of Southern California, Veolia Water, Water Replenishment District of Southern California, and Woodbury University.

ABOUT THE LAEDC

The LAEDC, the region's premier economic development leadership organization, is a private, non-profit public benefit organization established in 1981. Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County. Since 1996, the LAEDC has helped to retain or attract 177,975 annual jobs in Los Angeles County with an estimated labor income, including wages and benefits, of \$10.8 billion. Taken together with the supported indirect and induced economic activity, a total of more than 400,000 annual jobs with labor income of more than \$21 billion were impacted, accounting for an estimated \$850 million in property and sales tax revenues to the County of Los Angeles. *To find out more about the Water Subgroup of the LAEDC's Strategic Advisory Committee on Infrastructure, please visit laedc.org/infrastructure-committee.*

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