

# **DISTRESSED ECONOMY AFFECTS EVERY INDUSTRY**

## **FOR IMMEDIATE RELEASE**

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**By Soria Davis**

Overall 40,000 jobs were lost in Nassau and Suffolk counties between June 2008 and June 2009; and the 2009 job losses were in all industries except education and health services, reported Long Island Association Chief Economist Pearl Kamer. Her forecast: Continued job losses through most of next year but at a slower pace.

The following is a look at specific industries in 2009, and the outlook for 2010:

## **Banking**

"In the first half of 2009 the financial industry and the U.S. economy continued to face unprecedented conditions including market volatility, declining real estate values, credit challenges and reduced economic growth. These contributed to further deterioration of economic conditions in the U.S. which presented challenges to all market participants said Philip Panarelli, Senior Vice President at HSBC Bank USA, N.A.

"We continue to work with our clients to help them through these challenges as the pace of decline slows and business conditions slowly improve. We are already seeing signs that the pace of deterioration is slowing and seeing signs of improvements across certain industry segments," said Panarelli.

He said locally HSBC continues to serve the needs of corporate clients through HSBC's team of experienced relationship managers trained to understand local and international needs of business located in this region. He noted the institutions strong financial position and its ability to provide commercial banking services to HSBC's U.S. clients worldwide, has resulted in more local businesses inquiring about HSBC's services.

Looking ahead, Panarelli said, "Institutions like HSBC that are strongly capitalized and have diverse business segments will continue to be leaders. Our goals for 2010 will be to continue to maintain HSBC's strong liquidity position, focus on client needs and deliver international services to Long Island companies operating around the world or looking to expand."

## **Education**

As part of the enacted New York State budget for 2009-2010, education aid will grow by \$405 million, with Long Island receiving 5percent instead of its traditional 13 percent share.

Regarding Higher Education, Adelphi University President, Robert A. Scott said actual and psychological effects of the recession, especially mounting job losses, caused many families to focus on public two-year and four-year colleges as choices for their children.

He said, "As applications rose at double-digit rates, due to the economy, state institutions faced draconian cuts in support, due to the economy. For SUNY, the Governor approved a tuition increase, but then kept 90 percent of the revenue for other purposes. The big questions for the public are whether state-supported institutions can provide the quality of education promised with reduced staffing and increased class size, and whether a four-year degree can be completed on time.

"Most private colleges on Long Island are fine, benefitting from students deciding to stay home or come back home from colleges out of the area," said Dr. Scott. However, he noted a bidding war is developing, with some campuses aggressively discounting tuition and calling that a scholarship. These schools then waive it in front of parents who want the prestige of a scholarship even when the net tuition price is still higher than at another institution offering less aid.

Also, Dr. Scott said Congressional actions have exacerbated the effects of the economy. He explained, in October 2007 Congress cut nearly \$20 billion from the Guaranteed Student Loan Program, taking \$100 billion of loan funds from qualified families. As a consequence, some lenders left the business and new, alternative sources came into play, charging 12-16 percent interest rates. In response, Congress is now talking about taking over all educational loan functions and managing them through the U. S. Department of Education. "So, in one branch, the federal government is trying to save the banks, while in another they want to take over an important part of their business," said Dr. Scott.

Looking ahead, he said the pace of economic recovery will affect college decisions by families and fundraising by colleges. Campuses must be prepared for returning veterans who will take advantage of the new G.I. Bill Adelphi helped craft; and ready with equipment and trained faculty related to new technologies. "The next year looks promising, even with the challenges, but then we believe 90 percent of good luck is good preparation," said Dr. Scott.

## **Health Care**

The 2009-2010 enacted state budget includes \$2.3 billion in cuts to health care in New York and reforms to the Medicaid hospital reimbursement system.

"During budget negotiations, home and community-based care was put on the chopping block with final cuts to home care in Nassau and Suffolk counties for 2009 in excess of \$10 million. Ultimately these cuts impact the availability of services on Long Island as home care providers make difficult choices about cutting service programs, reducing work force and accepting fewer patients," said Mary Winters, past president of the Long Island Chapter of the New York State Association of Health Care Providers.

Winters said, "Home care providers are closely watching the formation of a Home Care Reimbursement Workgroup, created in the 2009 budget to review home care reimbursement methodologies and potentially restructure the delivery of home care in New York. Meanwhile, the demand for cost-effective and patient-preferred home care continues to grow as home care aides are one of the fastest growing employment sectors in the country.

"The trend is to keep more patients at home, but deep cuts to home care will make that goal more difficult. Greater investment in home and community-based care along with greater access to home care will pay dividends in both the short and long term," said Winters. She added, "The home care industry continues to raise awareness about the benefits of home care in an effort to prevent future rate cuts from Albany and Washington, D.C."

## **Hospitality**

"Looking at Long Island lodging, there was a major decline in occupation rates during the first half of 2009," said R. Moke McGowan, president of the Long Island Convention and Visitors Bureau. Furthermore, the U.S. Open in Bethpage this summer had less of an impact than insiders in the hospitality industry had hoped.

McGowan said, "There was just a slight increase in occupation rates in commercial accommodations in Nassau County in June 2009, as compared to June 2002 when the U.S. Open first came to Bethpage. However, the difference may be partly attributed to an additional day of play this year because of rain."

This year's Open did boost business at local restaurants, compared to the activity at local establishments in 2002. McGowan said, "Restaurants did better because of better planning in communities, whereas people previously worried about traffic congestion."

He said the economy further impacted the U.S. Open because the number of corporate sponsors was down, which also meant less entertaining of corporate clients. In fact, tourism in general has taken a hit because corporate meetings and conventions are down. "Nationally, corporations are not booking; cancelling or reducing the size of meetings by 44 percent, all because of the economy," said McGowan.

According to McGowan, the region does still benefit from activity by state and regional associations and

international travelers who visit Long Island after touring New York City. With the holidays approaching, McGowan anticipates the industry will see a soft increase in activity through the balance of this year and the first half of next year; and then hopefully, rebound. "It is all about consumer confidence," he said.

## **Manufacturing**

From June 2008 to June 2009, there were, statewide, 43,900 job losses in the manufacturing industry, according to the New York State Department of Labor. And many believe manufacturing jobs on Long Island have mostly been lost as well.

"It is a shame what perception does," said Anne Shybunko-Moore, president of GSE Dynamics Inc. She said, "While the manufacturing industry on Long Island will never be what it was in the heyday of Grumman, it was never really dead.

"In fact, there are about 3,200 manufacturers on Long Island," said Shybunko-Moore, adding, "We still need people with manual, technical skills."

As co-chair of the Hauppauge Industrial Association manufacturing committee, Shybunko-Moore is actively working to educate Long Island parents and teenagers about opportunity in the local manufacturing industry. "The Long Island Association and the Long Island Forum for Technology are also working to raise awareness; and now Suffolk Community College and Stony Brook University are offering programs that will further help the industry, she said.

"GSE Dynamics Inc. manufactures parts and structures needed to keep the military strong and the company is even hiring. I need a future workforce. There are going to be jobs here," said Shybunko-Moore.

She added, "Manufacturing jobs are indeed exciting because workers see a tangible end product and have the satisfaction of knowing I made this."

## **Not for Profit**

1 in 9: The Long Island Breast Cancer Action Coalition is one of the first grass roots organizations to start raising awareness about breast cancer. Today the not for profit organization is well-known for its free services to help people with all types of cancers; and it is about to reach its 20th anniversary in November 2010. Still, 1 in 9 president, Geri Barish said, "I feel like we just went backwards."

Barish said, "In this economic climate not for profits are definitely suffering, even closing their doors; and 1 in 9, even with its great name recognition, is hurting as well. Staffer's work weeks have been cut;

donations have dwindled; and even if a state grant can be secured to cover implemented programs, there are not always funds to even start the programs. Our money does not stay in the bank long enough, after paying bills," said Barish.

"Private foundations have been helpful," said Barish; adding 1 in 9 is always thinking of new ways to raise funds and function. She said 1 in 9 accepts help from volunteers, people on probation who need to perform community service and schools and colleges offering interns and paper drives.

To the not for profits struggling to survive, Barish said, "There is money out there. You just have to make the right contacts and know where to go. Do not give up."

### **Professional Services**

"During a bad economy a lot of problems come out of the woodwork; and therefore, litigation is exploding with work," said Stephen Breitstone, partner at law firm Meltzer, Lippe, Goldstein & Breitstone LLP.

He said problems and disputes in a distressed economy include failed businesses and tax liability issues; and outright fraud that would go undetected in a better economy, such as misappropriated funds by investment advisors. In addition, there is an enormous up tick in estate planning; and a focus on asset protection planning by clients who made money last business cycle, but are now not doing as many business transactions and looking to keep their money.

Breitstone said, "Business has not been bad. Some law firms are really hurting because they represent lenders in loan originations that do not exist today. Our practice is diverse. In bad times, a diverse law firm will be busy."

Breitstone noted there is further opportunity created out of economic distress. "For example, lenders are not aggressively pursuing distressed property because they do not know what to do with it. Rather, people are making deals with lenders and pursuing more opportunities in the market. There also has been opportunity for Meltzer, Lippe, Goldstein & Breitstone LLP to hire talented attorneys who previously worked for city firms that paid big bucks in a better economy. In this environment, those people come to us," said Breitstone.

### **Real Estate**

"Distressed real estate has become a buzz phrase for real estate opportunity and has led to significant legal work for Meltzer, Lippe, Goldstein & Breitstone, LLP," said partner Gary Meltzer. He said, "The firm

has been retained by clients who are creating real estate funds that will purchase non-performing real estate loans as well as foreclosed real estate. In addition to preparing all the legal documentation that creates the fund and allows sponsors to solicit accredited investors, there is significant transactional work that emanates from the funds deals. There is also comprehensive tax structuring integrated into the fund documentation," said Meltzer.

Retail leasing activity has increased as well, with landlords cutting deals that are extremely tenant friendly. Meltzer explained, in addition to wanting to fill vacancies landlords need to generate traffic to their shopping centers in order to preserve the health of existing tenants who rely upon the traffic to the shopping center. "It is fair to say landlords view entering into new leases as a loss leader for maintaining a vibrant shopping center and ensuring the health of existing tenants," he said.

### **Small Business**

"The role of small business on Long Island has not changed from what it was prior to our current economic problems. Small business has always been the strength of the Long Island economy. Whether it be small mom & pop retail, or service business or small to medium size organizations, they create the stimulus that has made Long Island a vibrant financial community," said Mark Meinberg, CPA and managing partner of accounting firm Feldman, Meinberg & Co. LLP.

The economic downturn has obviously hit these businesses very hard. According to Meinberg, problems include reduced need for products and services; and a shortage of capital or access to reasonable financing. Resources have been stretched; and many businesses have failed. Furthermore, the opportunity for unemployed persons to find replacement jobs has been limited by the lack of growth of new business on Long Island.

To be in a stronger financial position for 2010 and beyond, Meinberg said small businesses should work on relining their business models to allow them to adjust to different operating conditions. Additionally, they need to start rebuilding their capital reserves; and identify new resources of labor and customers to attract when economic conditions improve.

### **Technology**

"Looking at information technology, a large focus nationwide in 2009 was consolidation and virtualization," said Bob Venero, President and CEO of Future Tech Enterprise, Inc. According to Venero, consolidation of data centers leads to cost savings and energy savings, while virtualization saves dollars without sacrificing performance. He said, "Organizations are very cost conscious based on perception of the economy. Furthermore, rather than spend money on bleeding edge technology, companies are

currently investing in cost saving equipment such as power consumption reduction devices that also reduce the carbon footprint. For the future, Storage is a very focused area to watch," said Venero.

## **Transportation**

The first transportation project funded through the federal American Recovery and Reinvestment Act (ARRA) broke ground on Long Island in July. The \$1.7 million project involves repairing distressed concrete and aging sections of the following state roadways in Nassau and Suffolk counties: Sagtikos State Parkway between the Southern State Parkway and the Long Island Expressway; Ocean Parkway between Captree Toll Plaza and Zachs Bay; Meadowbrook State Parkway between Babylon Turnpike and State Route 24 (Hempstead Turnpike) and Southern State Parkway ramps at the Meadowbrook State Parkway and Peninsula Boulevard. Project completion is expected next spring.

Long Island, according to the Governor's office, is estimated to receive a total of \$154 million in ARRA funding for road and bridge projects and \$230 million this year for State highway and bridge upgrades; all bolstering transportation infrastructure and creating jobs.

On the subject of jobs, construction jobs have recently been created on local projects funded prior to 2009 such as Rubies Corporate Plaza, the Stony Brook Advanced Energy project and the new Yaphank correctional facility. The latter project is providing jobs in every contracting trade across the board and may create as many as 400 jobs at the height of construction, spanning about 30 months.

"The real sign of the economy recovering will be the number of both public and private projects going into the design phase," said Dominic Paparo Jr., Vice President of Business Development for contractor E.W.Howell. He added, "We are optimistic that as the economy rebounds, it will result in a more regular design cycle that in turn will spawn a bid cycle, followed by increased construction opportunities."