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Duke University and CFO Magazine conducted a special study on terrorism for The Wall Street Journal. The study included a survey of 434 chief financial officers (CFOs) of U.S.-based companies, 124 CFOs of European companies, and 103 CFOs of Asian companies, and concluded September 4, 2006. The European polling was done in cooperation with Erasmus University in the Netherlands.

As detailed in the text below, and in the associated tables, the results generally indicate that companies are not currently on a heightened terror alert; however, terrorism has had significant effects on the costs and operations of the typical firm.

The question notations below (e.g., Q9) relate to the question numbers in the tables.

Q3: As of today, terrorism is not a top business concern for corporate executives (summarized in the topline tables). In the US, Europe, and Asia, terrorism ranks near the bottom of risks that CFOs say their firms are worried about.

Q9: Direct terrorism-related costs are large and growing.

US: Prior to September 11, 2001, US firms spent an average of 1.7 percent of their total revenues on expenditures related to terrorism. Today, terrorism-related spending stands at 2.8 percent of revenues. Both of these numbers are for firms that have existed at least five years and are revenue-weighted (meaning that large firms get more weight, and so the number is representative of the overall economy). The typical firm in our sample has average annual sales revenue of about \$2.1 billion, meaning that 2.8 percent of revenues equates to about \$59 million spent annually related to terrorism. The 1.1 percent increase equates to an annual increase in terror-related spending since September 11, 2001, of \$23 million per company, or a total increase more than \$100 million over the past five years.

Europe: Terror-related spending in Europe has increased to 1.8 percent of revenue today, in comparison to 1.1 percent of revenue five years ago.

Asia: Terror-related spending in Asia has increased to 1.9 percent of revenue today, in comparison to 1.6 percent of revenue five years ago.

Q9: Indirect terrorism-related costs are large. These indirect costs include lost productivity or reduced consumer spending due to terror fears.

The indirect costs of terror are about 1.8 percent of revenues in the United States. Combined with the 2.8 percent of revenues devoted to direct costs, firms in the U.S. say that 4.6 percent of total revenues are dedicated to terror-related costs.

In Europe and Asia, indirect terror-related costs average 1.5 percent of total revenue.



Q9, By Industry, US only:

Over the past five years, direct costs increased from about 2 percent to about 4 percent in transportation/energy and service/consulting, and from about 3 percent to 5 percent in communications/media and banking/finance. Indirect costs are highest (about 3.5 percent) in communications/media and transportation/energy.

Q9b: How have firms been affected by the threat of terrorism? What actions have they taken?

Half of CFOs in the U.S. say that there has been little or no impact on their firms from the threat of terrorism, in comparison to 40 percent in Europe and 60 percent in Asia.

Still, quite a few companies have been affected in specific ways by the threat of terror, as detailed in the table below (e.g., 42.4 percent of U.S. CFOs say that their firms have increased planning for business disruptions in response to the threat of terror). In general, U.S. firms have been much more affected by the threat of terror than their global counterparts.

Specific Effects of Terrorism Threat	Percentage of Firms Affected		
	US	Europe	Asia
Increased planning for business disruptions	42.4%	18.5	27.2
High cost of oil and energy	39.6	24.2	31.1
Insurance for acts of terror	28.3	12.1	22.3
Increased infrastructure and software spending	27.0	6.5	15.5
Insurance for terror-related business interruptions	21.4	12.1	19.4
Reduced air travel	21.0	16.9	15.5
Fears of terror (e.g., by consumers) have hurt our firm	14.1	7.3	11.7
Added employment, including head of security	12.0	4.8	12.6

More effects and actions appear in the topline tables. Also, see the banner tables for interesting variation in how different industries have been affected.

Q9c and Q9d: Terrorism Index and the effect on the bottom line

The terrorism index remains near its historic baseline in the U.S., Europe, and Asia. Nearly 34 percent of U.S. firms indicate that their bottom lines have been affected by terrorism or the threat of terrorism, and another 39 percent indicate that their bottom lines are at risk of being affected. In Europe, these numbers are 18 percent and 63 percent. In Asia, they are 35 percent and 52 percent.



Sixty-one percent of transportation/energy firms say that the impact of terrorism is negatively affecting their bottom lines, as do 43 percent of communications/media, 38 percent of banking/finance, and 35 percent of retail/wholesale firms.

About 6.5 percent of U.S. CFOs state that their companies have benefited financially from terror concerns (this includes firms that provide security, private aviation, insurance, on-line education, and others).